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Pension World.

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

**Master Trust Services Aren't Just for
Large Funds Anymore**

**Pick the Right Choices for
401(k) Investments**

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Pension World

December 1984
Volume 20 Number 12

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Cover: The computer terminal has replaced the ledger sheet in Master Trust recordkeeping. Photo by Bernard Carpenter, courtesy of Wachovia Bank and Trust Company, N.A. Our lead story on Master Trust services today begins on page 24.

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Update

7th Annual Real Estate

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
AETNA LIFE & CASUALTY CO. 151 Farmington Avenue, MB64 Hartford, CT 06156	Stephen F. LeLaurin Manager 203/636-6275	\$16,000 +	427	\$2,197
COLDWELL BANKER 437 Madison Ave. Suite 420 New York, NY 10022	James G. Nugent Senior Vice President 212/207-6122	\$650	40	\$650
FIRST EQUITIES INSTITUTIONAL PROPERTIES, INC. Suite 500 6201 Powers Ferry Rd. Atlanta, GA 30339	Paul H. Saylor Executive Vice President & Managing Director 404/952-1500	\$81	8	\$81
MELLON REAL ESTATE INVESTMENT MANAGEMENT CORPORATION 551 Madison Avenue New York, NY 10022	Karin E. Shewer Vice President 212/702-4049	\$700	7	\$700
FRANK RUSSELL TRUST CO. P.O. Box 1454 Tacoma, WA 98401	Paul R. Kaltinick President 206/572-2282	\$39	13	\$39

Master Trust services

Continued from page 26

an oil and gas fund, and a special fund for undervalued stock situations.

Needs of the middle market

As previously noted, the needs of middle-market plan sponsors are getting new attention from Master Trusts. The coming of interstate banking is partially responsible for the new surge of interest in this market. As banks attempt to establish total banking relationships with companies in new geographic areas, their ability to provide more sophisticated trust services than their prospects have heretofore received may be a door opener. As a result, middle-market companies can expect much trust courting ahead.

The needs of these companies are

somewhat different from those of larger plan sponsors, which probably have been using specialty investment managers for many years, have both defined contribution and defined benefit plans, have full-time professionals on staff to examine benefit/pension trends, and develop asset allocation models. However, the gap between the needs of medium and large fund sponsors is closing. Impressive investment returns during the past few years have driven up the value of defined benefit plans, providing in many cases surplus dollars to cost-justify more comprehensive and elaborate defined contribution plans. In addition, medium fund sponsors are becoming more sophisticated about such options as 401(k)s and PAY-SOPs and have come to understand how a Master Trust relationship might benefit them.

What should these companies consider as they evaluate Master Trusts? Beyond the administrative recordkeeping and investment management areas, they should assess a Master Trustee's commitment to meeting future requirements as well as the management of its current family of services.

Flexible benefit or cafeteria plans appear likely to be the next employee benefit surge. And, like other programs on which some of their components will be patterned, they will require very sophisticated administration and recordkeeping. Such plans may well allow employees to fund vacation, medical, legal expense, and dental plans to suit their particular needs.

Such future expansions make the "Master Trust" relationship concept even more attractive for large companies and of increasing inter-

Portfolio Manager Directory

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Properties — \$585 million Partnerships — \$379 million Participating Mortgages — \$347 million Mortgage Loans — \$82 million	Open-end commingled equity and mortgage accounts, closed-end equity accounts, separate accounts, individual property and/or depositor separate accounts.	National	No minimum on commingled open-end accounts. \$500,000 for closed-end equity accounts.	14.06% for both closed-end equity & mortgage accounts.	Graded contract charges plus per annum asset management fee of: 1.00% — open-end and closed-end equity; 0.75% — participating mortgage; individually priced — for both separate account and advisory services.
100% income-producing properties	Limited partnership interest	National, concentrating in areas in excess of 1,000,000 population.	\$1 million	Varies by fund	Commingled funds include a 1% acquisition fee, 1.15% fee on acquisition cost for management and 12.5% of proceeds in excess of a 10% cumulative return.
Income-producing properties — 100%	Direct or commingled; equity, debt or hybrid debt including land sale-leaseback/leasehold loan.	National	\$2 million	Minimum 15%/annum	Varies
Income producing properties — 60% Mortgages — 40%	Individual direct real estate investment accounts, participation in closed-end commingled funds.	National	\$10 million for direct accounts; \$250,000 for fund.	Not reported	Acquisition fee, annual investment management fee based on cash flow and disposition fee.
N/A	Open-end; units of participation	N/A	\$250,000	N/A	1 1/2 %

est and importance to middle-market companies. "Master Trusts" should provide middle-market as well as large companies with a family of services that lets them create programs suited to their corporate needs. While Master Trust services have changed considerably in recent years, there is much more evolution ahead. □

Clayton A. Boggan is senior vice president and manager of the employee benefits department of the Trust Division, Wachovia Bank and Trust Company, N.A., Winston-Salem, NC. He has been with the bank since 1956. He is a graduate of the University of North Carolina at Chapel Hill and has completed the executive program at the University of Virginia in Charlottesville. Mr. Boggan is a member of *Pension World's* Editorial Advisory Board.

The Finest in
Master Trust Services for
Over a Decade ...



First Trust Saint Paul

Member First Bank System

First Trust Company of Saint Paul
First National Bank Building
Saint Paul, Minnesota 55101

Robert J. Kay
612/291-4937



9th Annual Directory of Master and Directed Trust Services

The following *Pension World* Directory is a listing of firms indicating that they offer master and/or directed trusts. It is not an exhaustive list but rather identifies the firms that responded in full to *Pension World's* questionnaire.

During September 1984, the questionnaire was mailed to 400 U.S. banks and trust companies. Of the 80 responses, 76 firms indicated that they offer master and/or directed trusts.

Master Trust continues to be defined in individual ways by the banks and trust companies offering this service. A technical definition, according to several authorities in the corporate trust industry, is a trust in which *multiple* plans of the same company or control share investment experience under *one trust document*. In working terms, however, some of the definitions used for master trust include: 1) an arrangement under one trust agreement that includes multiple money managers, one of which may or may not be the trustee; 2) a pooling of one sponsor's assets, which may include multiple managers and *one* or more plans, under one trust document; or 3) a pooling of directed trusts.

Similarly, several different definitions are given to the term *directed trust*. The general definition is a trust under which the trustee has less than full managerial authority of the plan sponsor's assets. However, the term is often used synonymously with *directed portfolio*, in which a manager has the authority to direct only those investments within the particular portion of assets under his direct control; and it is sometimes associated with *general trust*, in which a separate trust agreement is written for that portion of assets under the manager's control.

Recognizing this, figures gleaned in the following survey are not always comparable, although *Pension World* has taken every precaution to present these data in their most accurate form. All information in the directory was provided by the banks and trust companies listed. *Pension World* appreciates the efforts of those who completed and returned the questionnaires and hope that each year's directory will continue to be more comprehensive.

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
American Trust Co. of Hawaii, Inc. 841 Bishop St., Ste. 1203 Honolulu, HI, 96813 Contact: Robert F. Midkiff/ President 800/367-5210	20	2,884	\$150	\$737	\$580.3	\$770.2
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, loan processing, 401(K) and common trust funds						
American Trust and Savings Bank 895 Town Clock Plaza Dubuque, IA 52004-0938 Contact: Paul R. Jaeger/T.O. 319/582-1841	0	68	0	\$21.1	\$15.1	\$36.2
Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement and market inventory fund						
AmeriTrust Co. 900 Euclid Ave. Cleveland, OH 44101 Contact: Gary W. Queen/ Senior V.P. 216/687-4089	24	32	\$3,100	\$1,750	0	\$6,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, benefit disbursement, index fund, investment management, real estate, TUCS, 401(K) plans, PAYSOP and remote inquiry						
Bank of America, NT & SA Dept. 9032 555 California St. San Francisco, CA 94104 Contact: Carole Swartz/V.P. 415/622-5238	33	259	\$12,100	\$2,500	\$9,500	\$16,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement						
Bank of New England 28 State Street, 12th Floor Boston, MA 02109 Contact: Seavey Bowdoin, V.P. 616/973-4000	NA	47	NA	\$410.8	\$685.9	\$1,100.3
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund						
The Bank of New York 48 Wall Street New York, NY 10015 Contact: Lynne D. Kemper/ Assistant Secretary 212/530-1355	58	Not reported	\$12,500	Not reported	\$8,500	\$21,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, securities lending, ERISA disclosure assistance, benefit disbursement, market inventory fund, global custody, on-line, beneficial interest, options/futures, administration						

Number of Separate Portfolios Maintained	Average Number of Accounts per Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
NA	240	NA	Trade date (full accrual)	No	Federally insured bank and savings and loan CD's, passbook accounts and cash as well as overnight bank repurchase agreements	Monthly	Within 7 days after month end
Crediting Dividend and Interest Policy: Direct credit to account on pay day + 2 Fee Structure: Based on combination of asset value and individual services							
98	72	33	Contractual settlement date	No	Federated cash management systems for short term government obligations	On payable date	15 days after period end
Crediting Dividend and Interest Policy: Credited on collection of funds on payable date Fee Structure: Based on combination of asset value and individual services							
140	7	25	Trade date (full accrual); contractual settlement date with pending adjustment; actual delivery date	No	Short term fund, variable demand notes, CD's, T-bills, Euro dollars, commercial paper and financial reserve funds.	On payable date	3-5 business days after month end
Crediting Dividend and Interest Policy: On payable date with good funds Fee Structure: Based on combination of asset value and individual services							
292	3	NA	Contractual settlement date	Yes	STIF fund	1st day of month following date indicated on fund	10 business days for monthly and quarterly report; 20 business days for annual report.
Crediting Dividend and Interest Policy: Cash on payable date Fee Structure: Based on combination of asset value and individual services.							
88	22	11	Trade date (full accrual)	Yes	In house short term reserve fund, T-bills, bankers acceptances, CD's	Monthly	Fully automated overnight for review adjustments and re-running
Crediting Dividend and Interest Policy: Pre-posting on payable date Fee Structure: Based on combination of asset value and individual services							
Not reported	5-10	Not reported	Trade date (full accrual); contractual settlement date with pending adjustment; contractual settlement date; actual delivery date	Yes	STIF, domestic and foreign, master notes	Daily	2-5 days
Crediting Dividend and Interest Policy: Fed funds on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Bank One, Dayton, N.A. Kettering Tower Dayton, OH 45401 Contact: C. T. Warriner/V.P. 513/449-8718	7	23 clients 53 separate funds	\$272.1	\$262.1	\$35.4	\$439.1
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, zero balance benefit disbursement for master trust; automatic daily sweep of funds in excess of \$1.00; investment management						
Bank of Oklahoma, N.A. P. O. Box 2300 Tulsa, OK 74192 Contact: Phillip J. Owings/Sr. V.P. and Sr. T.O. 918/588-6449	3	20	\$81.4	\$143.2	\$559.8	\$1,523.3
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, automatic cash management and GIC's						
Bankers Trust Company 280 Park Avenue/6E New York, NY 10015 Contact: Carter P. Reynolds/ V.P. 212/850-2089	111	153 15 separate master custody	\$59,000	\$2,700	\$4,500	\$66,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, controlled liquidation, performance attribution						
Bishop Trust Company, Ltd. P. O. Box 2390 Honolulu, HI 96804 Contact: Daniel P. Zaehring/ V.P./Mgr. Emp. Benefits Div. 808/523-2275	60	178	\$35	\$150	0	\$260
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, plan administrator consulting and design.						
Branch Banking & Trust Co. P. O. Box 1847 Wilson, NC 27893 Contact: Michael J. Kuchar/ V.P., Emp. Benefit Services 919/399-4111	0	250	0	\$90	0	\$370
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance and benefit disbursement						
Boston Safe Deposit & Trust Co. One Boston Place Boston, MA 02106 Contact: John R. Snow V.P. 617/722-6970	33	200	\$16.2	\$579.5	\$3.4	20.2
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, on-line analytical time-sharing, micro analytics via personal computer, global custody, options accounting, financial futures, asset allocation, manager monitoring and consulting						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
66	20	NA	Contractual settlement date with pending adjustment	Yes On master trust only	Commercial paper, T-bills, proprietary open- end investment companies	Month end	Interim reports, 3- 5 business days; annual reports, 7- 25 business days
Crediting Dividend and Interest Policy: Payable date with collected funds, governments, agencies, commercial paper, STIF clearinghouse funds and all other issue. Fee Structure: Based on combination of asset value and individual services							
70	17	1	Trade date (full accrual)	No	Bank-operated STIF funds, various master notes, specialized money funds, individual issues of commercial paper, T-bills, CD's	2 days after month end	2-7 days after month end
Crediting Dividend and Interest Policy: Payable date with automatic computer credit Fee Structure: Based on combination of asset value and individual services							
1,431	12	45	Trade date (full accrual); contractual settlement date with pending adjustment, actual delivery date.	Yes	6 funds available	Accrued daily paid FOM	3rd business day following the report generation period
Crediting Dividend and Interest Policy: On payable date, same day funds Fee Structure: Based on combination of asset value and individual services							
371	15 master or 40 directed	NA	Contractual settlement date with pending adjustment	No	Registered money market fund, T-bills, CD's, REPO's, commercial paper	Daily, paid on 2nd working day of following month	3 working days transaction; 10 working days asset valuation and projections
Crediting Dividend and Interest Policy: Pay date + 1 with good funds Fee Structure: Based on combination of asset value and individual services.							
250	50	25	Trade date (full accrual); contractual settlement date with pending adjustment	Yes	Bank money rate savings, mutual funds, T-bills	Monthly (first business day)	5 business days after month end
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
389	4	11	Trade date (full accrual)	Yes	STIF, money market funds and reserve deposit account	3rd business day of following month	5 business days after period end
Crediting Dividend and Interest Policy: Payable date for Fed funds; next business day following payable date for clearinghouse funds Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
California Canadian Bank 340 Pine Street San Francisco, CA 94104 Contact: W. I. Groth/V.P. & T.O. 415/362-5210	6	208	\$467	\$63	\$7	\$537
Services Provided: Performance measurement, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement.						
California First Bank 530 B St./Trust Dept. San Diego, CA 92101 Contact: Pete Westerbeek/ V.P. 619/230-3303	NA	1020	NA	\$500.5	\$400.1	\$900.6
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance and benefit disbursement						
Canada Trust Company 275 Dundas St. London, Ontario, Canada N6B 3L1 Contact: J. Murray Tonge/ A.V.P. Pension Trust Services 519/673-6244	64	430	\$2,300	\$2,300	\$3,600	\$8,200
Services Provided: Portfolio review, participant recordkeeping, securities lending, benefit disbursement						
Centerre Trust Co. of St. Louis 510 Locust Street St. Louis, MO 63101 Contact: Richard W. Hibbs/ Assistant V.P. 314/436-9265	9	NA	\$1,559.5	\$345.7	\$578	\$3,573.8
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund.						
Chase Lincoln First Bank, N.A. One Lincoln First Square Rochester, NY 14603 Contact: Don Hessler/V.P. 716/258-5284	4	40	\$485	\$140	\$28	\$500
Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance and benefit disbursement						
The Chase Manhattan Bank, N.A. 1211 Avenue of the Americas 33rd Floor New York, NY 10036 Contact: John A. Sweeney/ V.P. 212/730-3008	97	105	\$80,000	\$5,000	\$10,000	\$105,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, on-line accounting and analytics, 401(K) services, global custody, in-house comparative universe						
Citibank, N.A. 153 East 53rd Street New York, NY 10043 Contact: Jeffrey L. Maier/V.P. 212/559-1523	29	80	\$6.4	\$5.2	\$28.6	\$40.1
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global custody, multi-currency reporting, recordkeeping for 401(K)/defined contribution plans, on-line and customized reporting						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
274	54	2	Trade date (full accrual); contractual settlement date	No	Institutional liquid asset management or liquid asset management funds	1st working day of month	At least by 10th working day of month
Crediting Dividend and Interest Policy: Payable date; credit to trust account Fee Structure: Based on combination of asset value and individual services							
7	225	12	Contractual settlement date	No	Short term investment fund and several money market mutual funds	Last day of month	10 days
Crediting Dividend and Interest Policy: Payable date with federal funds Fee Structure: Based on combination of asset value and individual services							
200	11	4	Contractual settlement date	No	T-bills, bankers acceptances, commercial paper	NA	Within 15 business days of report date
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
85	5	26	Trade date (full accrual); contractual settlement date with pending adjustment	Yes	In-house STIF	2nd day following month end	5-7 working days
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
145	45	40	Contractual settlement date	No	Temp fund, Mariner, Prime, Oxford, Capital Cash	3rd business day of every month	12th business day
Crediting Dividend and Interest Policy: Automatically credited on payable date Fee Structure: Based on combination of asset value and individual services							
1000	8	30	Trade date (full accrual); contractual settlement date with pending adjustment	Yes	Domestic short term investment fund and international short term investment fund, money market fund, extended liquidity fund and master notes	Month end	7th business day
Crediting Dividend and Interest Policy: Payable date with dividends, clearing house funds, and interest in Fed funds Fee Structure: Based on individual services performed							
591	18	25	Trade date (full accrual); contractual settlement date; actual delivery date	Yes	Liquid reserve fund, short term investment fund, demand notes	Mid-month and end of month	5 business days after receipt of information
Crediting Dividend and Interest Policy: Payable + 1 for clearinghouse items, payable date for Fed funds, good funds available for reinvestment Fee Structure: Based on individual services performed							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Citizens & Southern National Bank 33 North Avenue/10th Floor Atlanta, GA 30302 Contact: Edgar R. Smith/V.P. 404/897-3083	18	90	\$600	\$3,000	\$2,900	\$4,800
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, on-line terminal provided						
City National Bank of Miami Trust Department P. O. Box 025611 Miami, FL 33102-5611 Contact: David Buznego/V.P. & Corp. T.O 305/577-7248	2	0	\$8.7	\$0.6	\$5	\$13.8
Services Provided: Portfolio review, benefit disbursement, trustee for investments, purchases and sales, receipt and accounting of interest and dividends.						
Connecticut Bank & Trust Co. One Constitution Plaza Hartford, CT 06115 Contact: Steven M. O'Connell/V.P. 203/244-5030	202	37	\$967.7	\$281.6	\$44.2	\$1,293.5
Services Provided: Performance measurement, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement						
Continental Illinois National Bank & Trust Co. of Chicago 30 North LaSalle Street Chicago, IL 60697 Contact: Harvey M. Rosenfeld/V.P. 312/828-1283	35	303	\$8,171	\$2,808	\$1,200	\$12,179
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund						
Crocker National Bank Business Trust Services Group 333 South Grand Ave./6th Fl. P. O. Box 60347 Los Angeles, CA 90060 Contact: Adele H. Berwanger/ V.P. & Director 213/253-3223	101	409	\$2,349	\$3,433.6	\$2,734.9	\$8,517.5
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement						
The Fifth Third Bank Trust Department #00850 Fifth Third Center Cincinnati, OH 45263 Contact: Timothy J. Lysaght/ Development Officer 513/579-5493	0	33	0	\$147	\$1,239	\$1,386
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, benefit disbursement						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
450	125	12	Trade date (full accrual); contractual settlement date with pending adjustment, actual delivery date	Yes	Daily money market funds, money asset VANS, Fed funds, cash management funds	Payable date	5 working days
Crediting Dividend and Interest Policy: Credited to account on payable date Fee Structure: Based on combination of asset value and individual services							
3	All	All	Actual delivery date	No	Money market funds, T-bills, commercial paper	At maturity	Monthly statements and quarterly valuations
Crediting Dividend and Interest Policy: Credit to accounts when due Fee Structure: Based on combination of asset value and individual services							
350	40-50	20-25	Trade date (full accrual)	No	Master notes, STIF, paper, T-bills, etc.	Month end	3-5 business days after period closes for statements, 9-12 days for full accounting with accruals
Crediting Dividend and Interest Policy: Due date Fee Structure: Based on combination of asset value and individual services							
390	8	98	Trade date (full accrual)	Yes	Continental banks, short term investment fund or any other client directed STIF fund	2nd business day	Cash statement-2nd business day. Asset report-6th business day. Plan valuation-20th calendar day
Crediting Dividend and Interest Policy: On anticipated payable date in Federal funds Fee Structure: Based on combination of asset value and individual services							
1,745 (average)	20	NA	Trade date (full accrual); contractual settlement date	If required	Money market funds (including CNB STIF), commercial paper, repo, CD (Eurodollar)	End of month	10th business day after month end
Crediting Dividend and Interest Policy: Payable date with good funds Fee Structure: Based on combination of asset value and individual services							
81	15	1	Contractual settlement date	No	Master demand notes, T-bills, commercial paper, STIF	1st day of month	Within 10 days
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
First Interstate Bank of Utah, N.A. P. O. Box 30169/180 S. Main Salt Lake City, UT 84142 Contact: Rod R. Cushing/ A.V.P. & Emp. Benefits Mgr. 801/350-7118	40	150	\$300	\$65	\$15	\$380
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance and benefit disbursement.						
First Interstate Bank of Washington First Interstate Center P. O. Box 21927 Seattle, WA 98111 Contact: Lawrence T. Divers/ A.V.P. & T.O. 206/343-8346	0	28	0	\$391	\$163.7	\$554.7
Services Provided: Participant recordkeeping, securities lending and benefit disbursement						
The First National Bank of Kansas City 10th & Baltimore P.O. Box 38 Kansas City, MO 64183 Contact: Lyle W. Brizendine/ V.P. 816/221-2800	4	12	\$225	\$168	\$210	\$915
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance and benefit disbursement						
First National Bank of Maryland 25 S. Charles Street Baltimore, MD 21201 Contact: Bruce Herd/V.P. 301/244-4631	NA	16	NA	\$38.8	\$35.7	\$74.5
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping and benefit disbursement						
First National Bank of Minneapolis 120 South Sixth St. Minneapolis, MN 55480 Contact: Thomas S. Kalbrener/Corp. Trust Marketing Officer 612/370-4474	6	100	\$200	\$600	\$2,650	\$2,650
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, TUCS						
First Security Bank of Idaho, N.A. P. O. Box 2618 Boise, ID 83701 Contact: Mark A. Simonson/ A.V.P. & T.O. 208/338-2032	1	22	\$39.2	\$14.9	\$24.9	\$169.9
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
First Pennsylvania Bank, N.A. 15th & Chestnut Sts/ Packard Bldg. - 7th Floor Philadelphia, PA 19101 Contact: James F. McHale/ Sr. V.P. 215/786-7946	18	68	\$1,000	\$800	\$15,000	\$16,800
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
200	100	100	Trade date (full accrual); actual delivery date	Yes	STIF regular, Treasury and municipal tax-free	First working day of month	Accountings offered monthly and usually mailed by 6th working day of following month
Crediting Dividend and Interest Policy: Payable date, internal credit with use of a suspense account. Fee Structure: Based on combination of asset value and individual services							
17	9	0	Actual delivery date	Yes	First Interstate Short Term Investment Fund, Federated Master Trust	End of month	10 days after month end
Crediting Dividend and Interest Policy: Cash on date contractually due Fee Structure: Based on combination of asset value and individual services							
45	15	25	Contractual settlement date with pending adjustment	No	Federated master trust, Federated short term government, commercial paper, master notes, T-bills	3rd or 4th business day after month end	5-7 business days after month end
Crediting Dividend and Interest Policy: Immediate credit on scheduled pay date Fee Structure: Based on combination of asset value and individual services							
36	36	30	Contractual settlement date	No	Variable money market funds	5 days after month end	5 days after month end
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
100	15-40	15-40	Trade date (full accrual); contractual settlement date	No	Master notes, CD's, T-bills, commercial paper, pooled short term funds	3rd business day following month end	3rd business day following month end
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
45	NA	NA	Contractual settlement date with pending adjustment, contractual settlement date	Yes	Money market instruments and funds	2nd day of month	5th business day of month
Crediting Dividend and Interest Policy: When received in good funds Fee Structure: Based on combination of asset value and individual services							
NA	NA	NA	Trade date (full accrual); contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	Pooled R/P	Date earned	Cash statements 5-7 days, full accounting statements 15-17 days
Crediting Dividend and Interest Policy: Credit account on payment date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
First Security Bank of Utah, N.A. 79 S. Main/P. O. Box 30007 Salt Lake City, UT 84130 Contact: Gregory D. Burnett/ T. O. 801/350-5356	7	188	\$141.9	\$186.7	\$12.3	\$331.1
Services Provided: Participant recordkeeping, ERISA disclosure assistance and benefit disbursement						
First Tennessee Bank National Association P. O. Box 84 Memphis, TN 38101 Contact: Nancy McKinnie/ V.P. 901/523-4628	7	14	\$342.2	\$170.6	\$37.7	\$986.3
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement						
First Trust Company of North Dakota 505 Second Avenue North Fargo, ND 58102 Contact: Roger L. Sullivan/Sr. T.O. 701/293-3313	7	37	\$9.1	\$45	\$13	\$129
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement and market inventory fund						
First Trust St. Paul W-555 First National Bank Building St. Paul, MN 55101 Contact: Robert J. Kay/Emp. Benefit Marketing Officer 612/291-4924	12	30	\$2,500	\$350	\$300	\$3,700
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, objective setting, TUCS						
First Vermont Bank & Trust Co. 215 Main Street Brattleboro, VT 05301 Contact: Kyle R. Fisher/Emp. Benefits Officer 802/254-8711	0	104	0	\$30.8	\$7.2	\$38
Services Provided: Performance measurement, portfolio review, participant recordkeeping, ERISA disclosure assistance and benefit disbursement						
First Wisconsin National Bank-Oshkosh P. O. Box 2448 Oshkosh, WI 54903 Contact: James J. Mueller/ A.V.P. 414/424-4274	0	4	0	\$41	\$9	\$50
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance and benefit disbursement						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
221	55	28	Actual delivery date	No	Federated cash management, short term US government and money market funds	On receipt, usually 3rd business day	Not reported
Crediting Dividend and Interest Policy: Credit cash to account on payable date Fee Structure: Based on combination of asset value and individual services							
71	23	4.4	Trade date (full accrual) to be implemented, contractual settlement date with pending adjustment	Yes	Variety of in-house and external money market instruments	Same day (or compounded daily)	10 days
Crediting Dividend and Interest Policy: On payment date with clearinghouse funds Fee Structure: Based on combination of asset value and individual services							
44	11	2	Contractual settlement date plus one day	Yes	FDIC insured variable rate account	3rd business day of each month	21 days following receipt of participant data
Crediting Dividend and Interest Policy: When received in cash Fee Structure: Based on asset value only and based on individual services performed							
80	10	3	Trade date (full accrual)	Yes	STIF, super STIF, federated	1st of the month	Assets/ Transactions: 1st working day Complete Accounting: 10th working day after end of period
Crediting Dividend and Interest Policy: Payable date with clearinghouse funds Fee Structure: Based on combination of asset value and individual services							
8	35	8	Trade date	Not reported	Short term US Government sec. fund, federated master trust	10th of month	1 month turnaround
Crediting Dividend and Interest Policy: Interest: payable date; Dividends: payable + 1 Fee Structure: Based on combination of asset value and individual services							
150	Not reported	100	Not reported	Yes	Collective investment money market fund	Monthly 3 business days following end of month	Not reported
Crediting Dividend and Interest Policy: Not reported Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
First Wisconsin Trust Company 777 East Wisconsin Ave. P. O. Box 2054 Milwaukee, WI 53201 Contact: A. Paul Jones/V.P. 414/765-5000	29	158	\$1.4	\$684	\$877	\$1,259 (Discretionary)
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement, bond immunization, bond dedication, real estate and technology funds						
Fourth National Bank and Trust Co., Wichita P. O. Box 1122 Wichita, KS 67201 Contact: P. C. Woodward/V.P. & T.O. 316/261-4260	1	14	\$48.7	\$29.6	0	\$344,111 (11/30/83)
Services Provided: Performance measurement, portfolio review, benefit disbursement						
Harris Trust & Savings Bank 111 West Monroe Street Chicago, IL 60603 Contact: Alan G. Brodie/ A.V.P. 312/461-2121	44	73	\$25,900	\$1,142.5	\$3,200	\$11,736
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, securities lending, ERISA disclosure assistance (report formatted to facilitate filing of the 5500), benefit disbursement, index fund and market inventory fund						
Heritage Pullman Bank & Trust Co. 1000 E. 111th Street Chicago, IL 60628 Contact: Stanley Z. Kinsman/ V.P. & T.O. Sec. 312/785-1000	0	90	0	\$33	0	\$84
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
Huntington National Bank P. O. Box 5065 Cleveland OH 44101 Contact: Jim Pearce/V.P. & Manager 216/344-6846	10	30	Not reported	Not reported	\$0.8	\$0.9
Services Provided: Performance measurement, portfolio analysis, participant recordkeeping, benefit disbursement, market inventory fund, multiple manager investing						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
822	18	48	Trade date (full accrual), with full income accrual	Not reported	Short term income fund and variable demand notes	5th business day of month	Financial transactions on the 2nd business day of month; list of assets indicating both cost and market value on the 3rd business day of month. Complete monthly financial reports for each investment manager account on a fully accrued trade date basis are available on the 8th to 10th business day of the month
Crediting Dividend and Interest Policy: Payment date in good funds Fee Structure: Based on combination of asset value and individual services							
24	6	8	Contractual settlement date	No	Goldman, Sachs Co. Institutional Liquid Assets Prime Obligations Portfolio	1st or 2nd of each month	All accounting and investment reviews mailed within 30 days following end of cycle
Crediting Dividend and Interest Policy: Payable #1, direct participant with Depository Trust Co. Fee Structure: Based on combination of asset value and individual services							
550 (approx.)	8-10	70	Trade date (full accrual)	Yes	Commercial paper, certificates of deposit (Domestic Euro), bankers acceptances, U.S. Gov't agency issues, repurchase agreements, demand notes	6th to 7th business day of following month	Monthly: Cash is 2-3 business days Capital: 5-7 business days Quarterly reports: 12-15 business days Annual reports: 12-15 business days
Crediting Dividend and Interest Policy: Payable date in good funds Fee Structure: Based on combination of asset value and individual services							
16	100	Not reported	Trade date (full accrual) Actual delivery date, payment on delivery, both sale and purchase	No	Federated	End of month	NA
Crediting Dividend and Interest Policy: When received Fee Structure: Based on asset value only							
NA	NA	NA	NA	NA	NA	Monthly	NA
Crediting Dividend and Interest Policy: Credit to the account on payable date Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Irving Trust Co. One Wall Street New York, NY 10015 Contact: Gary Davenport/V.P. 212/487-7980	36	170	\$12,000	\$3,000	\$10,500	\$25,500
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, global custody, investment management, consulting services						
Industrial Valley Bank & Trust Co. Old York Rd. & West Ave. Jenkintown, PA 19046 Contact: H. Sheppard Millar/ T. O. 215/576-3681	0	10	0	\$50	\$82	\$330
Services Provided: Portfolio analysis, portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
LaSalle National Bank 135 S. LaSalle St. Chicago, IL 60690 Contact: James F. Sullivan/ Sr. V.P. 312/443-2497	10	0	\$200	0	\$500	\$1,200
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping and benefit disbursement						
M & I Marshall & Ilsley Bank 770 N. Water Street Milwaukee, WI 53202 Contact: Morry L. Birnbaum/ V.P. 414/765-8187	26	150	\$1,300	\$500	\$1,260	\$2000
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance and benefit disbursement						
Manufacturers Hanover Trust Company 530 Fifth Ave./4th Floor New York, NY 10036 Contact: Renee San Marco/ V.P. 212/819-1580	46	54	\$9,200	\$1,300	\$9,500	\$20,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund						
Manufacturers National Bank of Detroit 100 Renaissance Center/6th Fl. Detroit, MI 48243 Contact: Robert R. Schoonbeck/First V.P. 313/222-4471	55	257	\$9,400	\$770	\$1,400	\$11,570
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, and market inventory fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
312	10	20	Trade date (full accrual); contractual settlement date with pending adjustment	Yes	Irving trust collected STIF, master notes and money market fund	1st of following month	5-7 business days
Crediting Dividend and Interest Policy: On payable date with federal funds Fee Structure: Based on combination of asset value and individual services							
15	3	6	Contractual settlement date	No	Government fund, treasury agency fund, commercial paper fund	2nd of each month	2-3 days after reporting period
Crediting Dividend and Interest Policy: On payable date Fee Structure: Based on combination of asset value and individual services							
25	40	20	Contractual settlement date	Not reported	STIF, demand notes, time deposits	2nd working day	8th day
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
450	80	15	Contractual settlement date with pending adjustment	Negotiated	STIF with ACM, T-bills	Daily	5-7 business days
Crediting Dividend and Interest Policy: On payable date Fee Structure: Available on request							
287	6	20	Trade date (full accrual); contractual settlement date with pending adjustment, contractual settlement date, actual delivery date	Yes	STRF	Accrues daily and is credited once a month	Usually 3rd business day of month
Crediting Dividend and Interest Policy: On payable date interest and dividend income are automatically credited and available for investment Fee Structure: Based on asset value only							
77	52	52	Contractual settlement date, which incorporates a pending trade accrual schedule, accruing all security transactions as of trade date and incorporates accrued transactions in the account value	Yes	Manufacturers bank short term fund	5th workday following the prior monthend.	Accounting reports, cash and asset statements are available and delivered on 5th workday following the prior monthend
Crediting Dividend and Interest Policy: Dividends and interest are advanced on payable date in federal funds. Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Marine Midland Bank, N.A. 250 Park Avenue New York, NY 10177 Contact: Edward D. Higgins/ Administrative V.P. 212/949-6661	7	95	\$1.7 billion	\$1,586	0	\$3.2
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, dial up, plan accounting and cash management						
Maryland National Bank 10 Light Street/P.O. Box 995 Baltimore, MD 21203 Contact: Gordon R. Boardway/Emp. Benefits T.O. 301/244-1443	4	86	\$135	\$550	\$24.5	\$744.5
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, 5 commingled trust funds, GIC search, VEBA cash management						
Mellon Bank One Mellon Bank Center Pittsburgh, PA 15258 Contact: Donald A. McMullen/Sr. V.P. 412/234-4100	50	200	\$30,800	\$1,900	\$3,750	\$40,700
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, international custody, analytical package, on-line access, option and futures						
Mercantile-Safe Deposit and Trust Co. 2 Hopkins Plaza/P.O. Box 2257 Baltimore, MD Contact: H. Louis French/V.P. 301/237-5551	17	83	\$2,859.8	\$476.6	Not reported	\$3,336.4
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund and investment evaluation services						
Michigan National Bank 77 Monroe Center Grand Rapids, MI 49501 Contact: Thomas L. DeFer/ V.P. 616/451-7686	2	48	\$45	\$72	\$88	\$309
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance and benefit disbursement						
Moline National Bank 506-15th Street Moline, IL 61265 Contact: Frank Budinscak, Jr./V.P. & Trust Investment Officer 309/797-7600	25	90	\$2	\$40	\$40	\$80
Services Provided: Performance measurement, portfolio analysis, portfolio review, ERISA disclosure assistance, benefit disbursement, equity fund and fixed income fund						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
173	43	1	Trade date (full accrual)	Will be provided shortly	Short term INV FD, demand notes, B/A's, C/D's, C/P, Euro dollar bk C/D's, Re-Po's, etc.	Monthly	15th day of the month
Crediting Dividend and Interest Policy: Payable date, pre-post a/c with income on payable date regardless of non-receipt of fund Fee Structure: Based on combination of asset value and individual services							
6	Not reported	Not reported	Contractual settlement date	Yes	Commingled short term investment fund, consists primarily of CD's, commercial paper, treasuries	Daily	As frequent as monthly, within 10 days after the end of the reporting period
Crediting Dividend and Interest Policy: Due date or delivery date Fee Structure: Based on individual services performed							
1000	7	50	Trade date (full accrual)	Yes	Commingled short term funds, A-1, P-1 investments	Earned: daily Credited: weekly	Monthly, quarterly and annually with monthly statements available 3rd business day following months end
Crediting Dividend and Interest Policy: Payable date in clearing house funds Fee Structure: Based on combination of asset value and individual services							
275	24	NA	Contractual settlement date	Yes	STIF fund, master notes, repurchase agreements and money market instruments	Monthly	Daily, monthly, quarterly and annual reports based on requirements of plan sponsor
Crediting Dividend and Interest Policy: On payment date account records are updated at end of each business day Fee Structure: Asset value and income collected							
4	2	1	Contractual settlement date	Yes	Institutional liquid assets, trust for short term government securities	2nd business day of the month	Monthly-within 5 business days, quarterly, semiannually, annually-20 business days
Crediting Dividend and Interest Policy: Payable plus one; credited automatically Fee Structure: Based on combination of asset value and individual services							
Not reported	Not reported	Not reported	Trade date (full accrual)	Yes	STIF, T-bills, commercial paper, etc.	Monthly	10 days after period closes
Crediting Dividend and Interest Policy: As received Fee Structure: Based on asset value only							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
National Bank of Detroit 611 Woodward Avenue Detroit, MI 48226 Contact: Clarence E. Kufel/ V.P. 313/225-3900	62	47	\$5,300	\$6,400	\$11,700	\$16,400
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, global custodian service, dedicated and immunized bond funds, zero balance disbursements, on-line access, cash management						
Norwest Bank Minneapolis, N.A. Eighth & Marquette Ave. Minneapolis, MN 55479 Contact: Steve Dillenburg/ Asst. V.P. 612/372-5983	8	50	\$900	\$490	\$200	\$2,575
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement.						
The National Victorian & Gret Trust Co. 21 King Street E Toronto, Ontario, Canada M5C 1B3 Contact: Julie Spergel/ Consultant Directed Trusts & Master Trusts 416/361-3611	35	205	\$3,301.011	\$4,353.038	\$7,654.038	\$8,000
Services Provided: Performance measurement, portfolio review, participant recordkeeping, securities lending, benefit disbursement, index fund, global fund, options trading, currency futures, stripped coupon trading						
The Northern Trust Co. 50 South LaSalle St. Chicago, IL 60675 Contact: Thomas W. Kimen/ Sr. V.P. 312/630-6000	153	26	\$47,800	\$840	NA	NA
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, consulting services, northern's electronic delivery service, global custody and multi-currency accounting and reporting options, accounting, financial futures, collective fund investment management, cash management and asset allocation						
RepublicBank Dallas, N.A. P. O. Box 241 Dallas, TX 75201 Contact: David J. Pittman/Sr. V.P. & Dir. Corp. Mrktg. Vida Icenogle/Asst. V.P. & Dir. Master Trust & Emp. Benefit Mktg. 214/922-3593	120	60	\$12,400	\$10,600	\$1,800	\$16,000
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, on line data report, TUCS, options processing, cash forecasting, GIC wholesale services, asset allocations, government reporting, international custody bond immunizations, funds management and electronic mail						
Richfield Bank & Trust Co. 6625 Lyndale Avenue South Richfield, MN 55423 Contact: Jill Edelstein/Emp. Benefits Officer 612/861-8321	1	500	\$0.300	\$55	\$6	\$65
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement and tax filings						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
262	10-15	10-15	Trade date (full accrual)	Yes	NBD STIF, master notes, repurchase agreements, domestic and Euro-dollar CD's, commercial paper, BA's, T-bills, money funds	Accrues daily, paid the 1st of each month	Cash statements and inventories within 5 days of period end. Annual/Interim reports within 20-20 days of period end
Crediting Dividend and Interest Policy: Payable date with federal funds Fee Structure: Based on combination of asset value and individual services							
103	25	50	Contractual settlement date with pending adjustment	Yes	In house STIF	1st of month	5-10 days
Crediting Dividend and Interest Policy: Not reported Fee Structure: Based on combination of asset value and individual services							
50	25	5	Contractual settlement date	Yes	Short term investment fund, daily bank interest	On redemption of units	5 business days following the end of a reporting period
Crediting Dividend and Interest Policy: On due date automatically as per bond interest and dividend registers Fee Structure: Based on combination of asset value and individual services							
1400	9	60	Contractual settlement date with pending adjustment	Yes	Commercial paper, yankee CD's, domestic and Euro dollar CD's, banker acceptances, repurchase agreements	3rd business day of month	Reports available 3-5 business days following month end, or on-line, 24 hours per day.
Crediting Dividend and Interest Policy: Payable date with clearing house funds Fee Structure: Based on combination of asset value and individual services							
275	10	15	Trade date (full accrual); contractual settlement date with pending adjustment; contractual settlement date; actual delivery date	Yes	Short term investment fund, master notes, commercial paper, repurchase agreements, Euro dollars and T-Bills	1st business day after month end	5 business days after report date
Crediting Dividend and Interest Policy: Payable date automatically pre-credited in federal funds Fee Structure: Based on combination of asset value and individual services							
600	200	200	Actual delivery date	No	Money market funds	1st business day of month	10-15 business days after period end
Crediting Dividend and Interest Policy: Cash basis when received Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Royal Trust P. O. Box 7500/Station A Toronto, Ontario, Canada M5W 1P9 Contact: James A. Gordon/ V.P. 416/867-2403	56	230	\$5,500 (Canadian)	\$6,600 (Canadian)	Not reported	\$12,500 (Canadian)
Simmons First National Bank P. O. Box 7009/501 Main Street Pine Bluff, AR 71611 Contact: Fred Cosgrove/ Pension T.O. 501/541-1107	3	10	\$39.3	\$6.9	0	\$46.3
State Street Bank & Trust Co. Master Trust Services P. O. Box 1713 Boston, MS 02105 Contact: D. Michael Herlihy/ V. P. 617/786-6353	132	27	\$35,267.8	\$205.9	\$22,619.5	\$58,093.2
The Sumitomo Bank of California Trust Department Two Maritime Plaza San Francisco, CA 94104 Contact: Bob R. Otani/V.P. & Manager-Trust 415/445-8090	Not reported	Not reported	0	\$100.7	\$28.3	\$129.05
The Summit Trust Company 367 Springfield Ave. Summit, NJ 07901 Contact: Matthew P. Hayman/ V.P. 201/522-8445	Not reported	20	Not reported	\$28.8	\$12	\$140
Sun Bank, N.A. P. O. Box 3808 Orlando, FL 32802 Contact: John K. Webster/ Exec. V.P. 305/237-5056	5	125	\$125	\$250	\$100	\$477
Texas Commerce Bank P. O. Box 2558 Houston, TX 77252 Contact: Russell K. Schulze, II/Senior V.P. & T.O. 713/236-4553	12	13	\$1,112	\$1,616	\$410	\$4,517
Trust Co. Bank P. O. Box 4655 Atlanta, GA 30302 Contact: Bob Farmer/ Assistant V.P. 404/581-1757	13	27	\$340	\$210	\$1.6	\$1,700

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
275	12	8	Contractual settlement date with pending adjustment	NA	Short term notes, T-bills and Royal trust special deposit account	Last day of each month	Within 15 business days after period
Crediting Dividend and Interest Policy: Payable date Fee Structure: Based on combination of asset value and individual services							
225	225	225	Contractual settlement date	No	Money market mutual funds	5th day of month	15 days
Crediting Dividend and Interest Policy: When received Fee Structure: Based on combination of asset value and individual services							
116	7 (approx.)	3-4 (approx.)	Trade date (full accrual)	Yes	STIF, Government STIF, maturity plus STIF	3 business days after month end	5-7 business days, depending on type of investments
Crediting Dividend and Interest Policy: On actual receipt with DTC (clearinghouse funds), FBE (FED funds), Physicals (FED funds) Fee Structure: Fees based on a combination of transaction charges, market value of assets and individual services							
405	135	3	Actual delivery date	No	Various bank and mutual funds, money market funds	Monthly	Within one week upon request; no later than 30 days
Crediting Dividend and Interest Policy: As received on a cash basis Fee Structure: Based on combination of asset value and individual services							
7	7	5	Contractual settlement date	No	Federated money market trust, federated trust for short term U.S. government securities, Chase institutional money market account	1st business day of following month	2 weeks
Crediting Dividend and Interest Policy: On payable date, pricing tape input to inhouse mini computer Fee Structure: Based on combination of asset value and individual services							
125	35	85	Contractual settlement date	Yes	Pooled money market fund; commercial paper	Monthly	20 days after period
Crediting Dividend and Interest Policy: On payable date with investable funds on due date Fee Structure: Based on individual services performed							
86	43	12	Actual delivery date	Yes	Master notes, repos, commercial paper, CD's	5 days after month end	Within 10 business days of month end
Crediting Dividend and Interest Policy: Payable plus one, actually credited to account Fee Structure: Based on combination of asset value and individual services							
74	12	15	Contractual settlement date	No	Trusco retirement reserve fund, master notes, STIF	Within 5 business days of months end	15-20 days after cut-off date
Crediting Dividend and Interest Policy: Pay date in investable funds Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
United Missouri Bank of Kansas City, N.A. 10th & Grand Ave P. O. Box 226 Kansas City, MO 64141 Contact: Robert E. Reiter/Sr. V.P. 816/556-7474	18	305	\$192	\$445	\$545	\$1,875
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, 401(K) plan services, asset management, tax withholding and reporting						
United Virginia Bank 919 East Main St. Richmond, VA 23261 Contact: Lucy B. Lewis/New Business Representative 804/782-7405	3	48	\$36	\$209	\$102	\$1,282
Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement						
U.S. National Bank of Oregon P. O. Box 3168 Portland, OR 97208 Contact: Marcia Bennett/ Asst. V.P. & T.O. 503/225-6592	3	20	\$145	\$150	\$185	\$605
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement						
Valley Fidelity Bank & Trust Co. P. O. Box 1991/Market St. Knoxville, TN 37901 Contact: Sharon J. Miller/Sr. V.P. & T.O. 615/521-3000	Not reported	100	\$5.2	\$6	Not reported	\$120
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, market inventory fund						
Valley National Bank of Arizona 241 North Central Ave/Dept. A814 Phoenix, AZ 85001 Contact: Paul Knowles/Mgr. Trust Dept. 602/261-1545	267	212	\$892	\$157	\$8	\$1,057
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, real estate equity fund and depository trust						

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
485	195	100	Trade date (full accrual), reporting; contractual settlement date with pending adjustment; posting	No	Pooled income fund, UMB money market funds, (Federal and Prime Portfolios), CD's, T-bills, Institutional money market funds, short term money market fund	1st day of month	14-21 days following end of reporting period
Crediting Dividend and Interest Policy: On payable date with cash or in kind Fee Structure: Based on combination of asset value and individual services							
132	25	15	Trade date (full accrual), on annual statements; contractual settlement date on monthly reports	No	In house short term investment fund	5th business day of following month	15th day of following month
Crediting Dividend and Interest Policy: Dividends on payable date plus one. Interest on payable date. Paid cash credit to account Fee Structure: Based on combination of asset value and individual services							
16	80	20	Actual delivery date	Yes	Qualivest money market, federated money market, Merrill Lynch repo, GM, GE, Ford Motor master notes, institutional liquid assets trust fund, trust funds treasury	1-5 working days following month end	3-5 working days following period end
Crediting Dividend and Interest Policy: Pay date directly to account Fee Structure: Based on combination of asset value and individual services							
545	200	545	Trade date (full accrual)	Not reported	Money market funds, CD's, T-bills	End of month	Quarterly
Crediting Dividend and Interest Policy: X date + 1 Fee Structure: Based on combination of asset value and individual services							
479	120	133	Contractual settlement date	No	Short term investment and federated diversified money market funds	Monthly	7-10 days
Crediting Dividend and Interest Policy: Same day declared in depository trust Fee Structure: Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Wachovia Bank & Trust Company, N.A. P. O. Box 3099 Winston-Salem, NC 27102 Contact: Jane B. Fisher/V.P. 919/748-6348	38	45	\$12,000	\$400	\$200	\$13,600
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund futures accounting, global custody, Wilshire trust universe comparison service, venture capital investing, 401(K) consulting, plan sponsor, on-line, PAYSOP administration						
Wells Fargo Bank, N.A. Master Trust Dept. P. O. Box 63050 San Francisco, CA 94163 Contact: Morgan L. Patch/ V.P. & T.O. 415/396-5561	22	767	\$4,290	\$8,150	\$100	\$12,540
Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, benefit disbursement, index funds (equity and fixed income), market inventory fund, international market fund, yield tilt fund, customized core portfolios, S&P 500 index futures service, dedicated and immunized bond portfolios, etc.						

Robert Monks

Continued from page 41

2. Institutional shareholders historically related only to "a piece of paper." They now have to act as owners responsible for corporate affairs. This means that pension fund trustees must participate as owners and also protect the interests of the plan's beneficiaries. He points out that ERISA issues are very complicated in this area but feels that as they are clarified, trustees will find that they must take a strong ownership position.

By a "strong ownership position," Mr. Monks means that the trustees, as shareholders, must vote on the basic issues confronting the owned corporation. "If they don't like [a particular corporate activity] they must say so." He acknowledges that his function will make the role of pension fund trustee much more complex than it is now—and wonders who would be willing to take on such a responsibility.

Having been involved in trust matters for most of his adult life and having served as chairman of a

major bank, Mr. Monks is now writing a book on "the emergence of institutional shareholders and the importance they represent in the governance of corporations." Undoubtedly the ideas he is putting forward currently will be developed even further. He expects to complete this work in about four years.

Concerning DOL's administration of ERISA, Mr. Monks praises Secretary Raymond Donovan for the realignment of regulatory functions within the Labor Department. The National Pension Forum is evaluating the agency's record—and Mr. Monks has high hopes for establishing and reaching new and higher standards.

With respect to his range of activity and responsibility, he is quick to point out that although he did have a special role with regard to developing the administration's position on "surplus assets" in pension plan terminations, this was a one-shot assignment. "PBGC is not my pea patch," he insists. He does not see himself as having any continuing role in the operations of the corporation.

There has been some speculation

that under his leadership, it would be possible to establish one agency for the administration of ERISA. Bob Monks sees no such possibilities. Referring both to Congress and the private sector, he says, "There are just too many different interests." The various Congressional committees will not give up these specific areas of jurisdiction. Certain elements of the benefits community, for reasons of their own, would prefer to see the continued division of functions among the three Federal agencies.

On the occasion of ERISA's tenth anniversary a number of conferences and hearings were held in Washington, DC. One of those, the hearing of the Senate Committee on Aging, consisted in the main of discussions of various public pension policy issues. Bob Monks wants this dialogue to continue to the ultimate enunciation of a national retirement income policy by the private sector. He definitely believes that the concepts he holds should be on the agenda. It would seem that he is not only a current catalyst but that he will be a long term participant in the process. □

Number of Separate Portfolios Maintained	Average Number of Accounts per Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
300	4	15	Contractual settlement date with pending adjustment	Yes	Short term funds, demand notes, treasury notes	1st working day	10 business days or less
Crediting Dividend and Interest Policy: Payable date with federal funds Fee Structure: Based on combination of asset value and individual services							
1,960	4 master trust or 125 other directed trust	NA	Trade date (full accrual) (on request), contractual settlement date with pending adjustment (standard), contractual settlement date, actual delivery date (on request)	Yes (on request)	Wells Fargo money market fund	Monthly, last day	Ranges from 4-35 days depending upon type of report
Crediting Dividend and Interest Policy: Payable date advanced automatically Fee Structure: Based on combination of asset value and individual services, includes transaction charges as applicable							

Volatile markets

Continued from page 42

relatively more attractive areas. The manager's flexibility and broad view could prevent or minimize the losses resulting from being stuck in an untimely sector, while heightening the opportunity for growth in another. A flexible manager needs a good early warning system that enables him to know when to shift to other investments.

In evaluating managers of whatever style, of course, long term investment performance is the critical yardstick. While a specialist manager may be out of sync for a certain period, he may often be "forgiven" when his performance is shown to be no worse than that of his peers, who may also be victims of a down market or some other unfortunate occurrence. And when conditions improve, this manager may be able to recoup to a considerable degree. The performance of the flexible manager, however, is less affected by the conditions in any one market. So if his decisions are right, such a manager will make more money than others in "up"

markets, yet do relatively well when conditions are unfavorable.

While this discussion has focused on the attraction of the flexible style of equity management, it is worthwhile to note the value of balanced fund management to pension funds. Conventional wisdom is that balanced managers do not have the ability to effectively shift between asset categories, nor will they perform as well within the stock or bond portion of the fund.

The ultimate asset allocation decision should rest appropriately with the plan sponsor, who is in the best position to judge the fund's overall risk/reward perspective. However, we believe a role exists for balanced fund managers not only to perform well for their entrusted assets in up and down markets, but to serve as an aid to the plan sponsor in making its overall asset allocation decision.

To sum up, then, the volatility of today's markets puts a premium on flexibility of approach and ability to adapt quickly in the face of changing conditions. Given pension funds' need for consistent, long term performance, pension consul-

tants and plan sponsors should be—and are—increasingly looking to more generalistic, opportunistic and eclectic managers to provide the performance that can meet their fund's performance objectives. □



Robert C. Elliott is senior executive vice president in charge of client services for the Bessemer Trust Companies, New York. He oversees individual and institutional client services and is in charge of business development. He holds a bachelor's degree and a law degree from George Washington University.

JANUARY 1985

Pension World

The Magazine for Plan Sponsors and Investment Managers / A Publication of Communication Channels, Inc.

Outstanding Achievers PENSION WORLD Award Winners



Avonel (Nel) Daniels



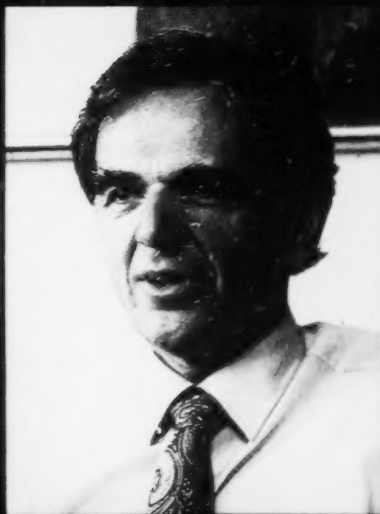
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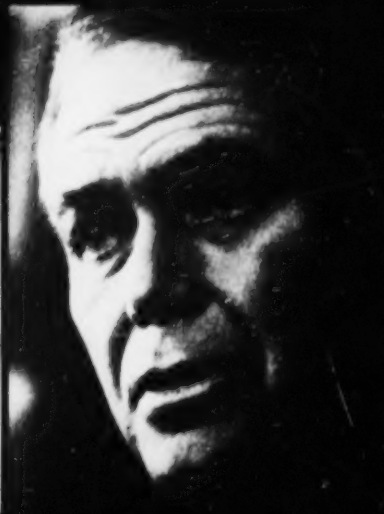
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What Will Congress Do Next?
9th Annual ERISA Compliance Calendar

Pension World

January 1985
Volume 21 Number 1

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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 **BPA**
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Top corporations support 401(k) plans

Companies are racing to set up salary reduction plans, according to a survey of the Fortune 200.

Tax-deferred salary reduction plans, also called 401(k) plans, were authorized by the Internal Revenue Service in late 1981. They have received a warm reception in many organizations around the country. Several surveys of these salary reduction savings and profit-sharing plans have been conducted by employee benefit consulting firms. Towers, Perrin, Forster and Crosby, Buck Consultants, Hewitt Associates, the Wyatt Company, and others have issued reports in the past year which give valuable information about the characteristics, participation rates, and employer experiences with these new retirement-oriented capital accumulation instruments.

There are, of course, many reasons why 401(k) options have become important. The plans offer employees several attractive benefits:

1. Contributions reduce taxable income immediately;
2. Contributions can be placed in one or more investment options;
3. Matching employer contributions are permitted for part of the employee contributions;
4. Lump sum distributions from these plans can be eligible for long-term capital gains treatment and ten-year forward averaging tax treatment, favorable options not available for funds placed in Individual Retirement Accounts.

Since their inception, 401(k) plans have become popular and the subject of continued interest and study. The purpose of this article is to provide knowledge about the plans which have been established by the largest United States corporations.

It will present data on the actual dollar amounts contributed to these plans, the age mix of plan participants, and other information relating to the administration and implementation of these plans.

This information was obtained from a survey of the Directors of Employee Benefits of the Fortune 200 corporations conducted in August and September 1984. In all, 64 firms responded to the questionnaire. Of this number, 52 were willing to be listed as survey respondents, while 12 preferred not to be identified. Of the 64 respondents, 45 indicated that they had a 401(k) arrangement in place; 35 of these were savings plans and 10 were profit-sharing plans. Sixteen of the savings plans and five of the profit-sharing plans had been instituted in 1984. In addition, three of the respondents had both 401(k) savings and profit-sharing arrangements.

Other firms indicated that they were about to initiate 401(k) plans within their organizations. Twelve firms stated they had definite plans to initiate 401(k) savings arrangements between September 1, 1984 and August 1, 1985. Two responded they would begin 401(k) profit-sharing plans between December 1, 1984 and July 1, 1985. Thus, the majority of respondents either have or will soon institute tax-deferred capital accumulation plans for their employees. Of those that have no immediate plans for

implementation, three stated that management had shown little interest despite several proposals emanating from benefits departments.

The respondents were asked to report the average monthly sums which employees and employers contributed to 401(k) savings and profit-sharing plans either in the period July 1, 1983 to June 30, 1984 or in the period the plan had been operating if it had been established after July 1, 1983. There were 37 responses to this query, representing 27 with savings plans and ten with profit-sharing plans. Tables 1 and 2 indicate the highest and lowest reported average monthly contributions and the average of contributions from all respondents.

These tables indicate that contributions to savings plans are likely to be higher than contributions to profit-sharing plans. Contributions to savings plans also appear to be more dependable than those which are related to a company's profits. In addition, the results show that current levels of contributions can build substantial retirement nest eggs. For example, assume that the average monthly contribution to 401(k) savings plan in Table 1 continues for 30 years (\$167 plus \$68 for twelve months, yielding \$2820 per year for thirty years). Assume that these contributions are invested to produce an annual yield of ten percent. In 30 years these contributions would produce \$463,873 which could then be received as a lump sum eligible for very favorable tax treatments. Clearly, 401(k) plans can produce significant retirement income to complement and even surpass Social Security income

by **ALAN D. ENTINE**
Director
Mid-Life Assessment Program
State University of New York
at Stony Brook

or pension income.

The survey next examined the age mix of 401(k) plan participants. Only a limited number of companies (nine) responded to this question in the survey. Benefits directors were asked to indicate the percent of eligible employees in various age groups who contributed to these plans in the period July 1, 1983 to June 30, 1984 or in the period the plan had been operating if it had been established after July 1, 1983. Table 3 reveals the results of this question.

While these data are limited, they do present the first look at age-related participation rates and indicate that middle-aged employees have the highest levels of interest in 401(k) plan opportunities. These findings are reinforced by other respondents who supplied age-related information in different formats. One reported that employees under age 40 had a 77 percent participation rate while those in the 40-65 age group participated at a rate which was double that of younger employees. Two others indicated that 41 percent and 56 percent of the participants in their plans were between 45 and 64 years of age. Two others stated that their participation rates were 95 percent and 99 percent across all age groups.

Most of this preliminary information indicates that middle-aged employees tend to participate extensively in 401(k) plans. Although income tends to be at high levels in the middle years, family expenses are also high. The critical factor may be that one thinks of retirement as a personal reality for the first time in middle age.

Nondiscrimination

Employee contributions to 401(k) plans must meet nondiscrimination tests affecting the percent of salary deferred by the highest one-third eligible employees and the lowest two-thirds paid eligible employees. The response to a question about nondiscrimination ratios indicated there was a wide variability among these ratios in savings and profit-sharing arrangements. This is illustrated in Tables 4 and 5.

Profit-sharing plans appear to have a smaller spread between the percent of salary deferred by high- and low-paid groups than do savings plans. This may mean that it will be easier for profit-sharing

**Table 1 401(k) Savings Plans,
Average Monthly Contributions**

	<u>Employee Contributions</u>	<u>Employer Contributions</u>
Company reporting highest average contribution	\$320	\$240
Company reporting lowest average contribution	\$ 63	\$ 16
Average of 27 companies	\$168	—
Average of 24 companies*	—	\$ 67

*Three companies had no employer contributions.

**Table 2 401(k) Profit Sharing Plans,
Average Monthly Contributions**

	<u>Employee Contributions</u>	<u>Employer Contributions</u>
Company reporting highest average contribution	\$190	\$67
Company reporting lowest average contribution	\$ 66	\$35
Average of 8 companies	\$125*	\$52*

*Two companies indicated zero employee and employer contributions since there were no profits during the reporting period. The average above is based upon eight firms where profits existed.

**Table 3 Percent of Eligible Employees in
Each Age Group Who Contributed to
401(k) Savings and Profit Sharing Plans**

	<u>Under 25</u>	<u>Age 25 to 44</u>	<u>Age 45 to 64</u>	<u>Age 65 and over</u>
Company A	66%	83%	93%	60%
Company B	63	85	92	83
Company C	20	40	65	50
Company D	13	18	45	50
Company E	10	33	62	25
Company F	NA	62	83	68
Company G	63	85	92	83
Company H	38	55	72	100
Company I	70	84	96	100
Average	43%	61%	78%	69%

NA = not applicable

**Table 4 Percent of Salary Deferred
to 401(k) Savings Plans**

	<u>Percent Deferred by Highest Paid One-Third</u>	<u>Percent Deferred by Lowest Paid Two-Thirds</u>
Company reporting highest percentages	9.26	6.10
Company reporting lowest percentages	2.80	1.12
Average of 34 companies	4.90	3.04

plans to maintain compliance with 401(k) nondiscrimination participation tests.

Implementation

The survey requested information about the administration and implementation of these plans. Respondents were asked to identify and rank the means by which they informed employees about 401(k) plans. Communication tools which were the most useful received the lowest ranking (#1 for most useful,

#2 for the next most useful, etc.). Table 6 indicates the number of responses and the average rank of those responses for each communications tool.

In addition, respondents indicated other tools were used, including individual enrollment letters when an employee became eligible to join a plan, an employee benefit telephone hotline, use of in-house video communications systems, use of employee bulletin boards, and annual enrollment sessions with

Table 5 Percent of Salary Deferred to 401(k) Profit Sharing Plans

	Percent Deferred by Highest Paid One-Third	Percent Deferred by Lowest Paid Two-Thirds
Company reporting highest percentages	7.59	6.16
Company reporting lowest percentages	2.05	1.27
Average of 8 companies	5.08	3.63

Table 6 Communications Tools Used to Distribute Information about 401(k) Plans to Employees

Tool	Number of Responses	Average Rank of Responses
Special company publications	43	1.9
Information at employee orientation sessions	45	2.3
Company newsletters & memoranda	40	2.7
Seminars and workshops	31	3.0
Publications prepared by outside consultants	20	3.2
Individual employee counseling sessions	23	3.5

Table 7 How Employee Benefits Personnel Keep on Top of Changes in Federal Laws and Regulations Affecting 401(k) Plans

Means	Number of Responses	Average Rank of Responses
Subscription to specialized news services and publications	63	1.7
Outside consultants	58	2.2
Inhouse consultants	52	2.7
Attendance at seminars, workshops and conferences	60	3.6
Contacts with colleagues at other businesses & organizations	50	4.2
Newspaper and other generalized media	55	4.8

Corporations Included in This Study

American Broadcasting	Kellogg
American Petrofina	Kerr-McGee
American Tobacco	Levi Strauss
American Standard	Litton
Atlantic Richfield	LTV
B.F. Goodrich	McDermott
Burroughs	Mead
Caterpillar Tractor	Mobil Oil
Charter	Motorola
Control Data	Murphy Oil
Deere	NL Industries
Digital Equipment	Northwest Industries
Dow Chemical	Olin
Eastman Kodak	Phillip Morris
Firestone	Phillips Petroleum
Fluor	Ralston Purina
Fruehauf	Rohm and Haas
General Mills	Southland
Grayhound	Standard Oil (Ohio)
Grumman	Sterling Drug
Harris	Swift Independent Packing
Hercules	Texaco
Hewlett-Packard	Tosco
Honeywell	Unifed Brands
IBM	Warner Communications
Jewel	Westinghouse

An additional 12 corporations responded but did not wish to be listed.

groups of employees.

Many respondents indicated that developing effective communications with employees about 401(k) plans posed a continuing challenge to benefits administrators. Several indicated that employees continue to have difficulty understanding that funds cannot be withdrawn except for approved hardships. In one company the introduction of loan provisions came about because of employee complaints; the job of communications then became easier. One respondent indicated that employees signed up because they were told 401(k) plans were beneficial, not because they read excellent available material.

Plan start-up periods posed particular communications challenges. Filmstrips with voice-overs, posters, notices accompanying payroll checks and personal invitation letters were some of the devices used during the initial plan periods. One company reported great success using individual employee statements which illustrated the difference between before-tax and after-tax contributions to the plans.

Three respondents indicated that at least one year should be allowed to properly develop and disseminate information about the plan before it begins to operate. Another stated that the plan's success was due to the fact that it was initiated in stages throughout the organization so that communications efforts could be focused on one group of employees at a time.

In related responses, benefits directors indicated other implementation difficulties with these plans. These included difficulties with outside recordkeepers; problems connected with the coordination of effort among internal groups such as payroll, personnel, and management systems; difficulties handling non-eligible adjustments to salary such as workers' compensation; problems developing employee loan provisions and procedures; and difficulties coordinating information among various company units and subsidiaries.

Despite these difficulties, most respondents indicated that the size of their benefits administration units was adequate to handle the communications workload which these plans generated. Most respondents indicated that the number of central staff persons providing in-

formation about tax-deferred salary reduction plans to their employees ranged between three and five persons. Thirty-three organizations indicated that these staff levels were adequate, while six responded that additional personnel were needed. Most of the positive responses added that the responsibility for disseminating information about these plans was shared with staff persons in other operating units and subsidiaries. Others indicated that additional help was required during plan start-up or modification periods.

The respondents were also asked to indicate how they keep on top of the changes in Federal laws and regulations which affect 401(k) plans. They were asked to rank order their responses with the most useful methods receiving the lowest rankings (#1 for most useful, #2 for next most useful, etc.). Table 7 summarizes these replies.

Conclusion

It is evident from the results of this survey that tax-deferred salary reduction plans are enjoying widespread and growing acceptance

among employees of the largest corporations in the United States. Despite communications and administrative difficulties, participation levels and rates are quite high, especially among middle-aged employees. For some employees, the sums being deferred may create significant sources of retirement income. After-tax retirement income from 401(k) plan distributions has the potential to exceed after-tax income from pension plans or Social Security or Individual Retirement Accounts.

Continued study of all sources of retirement income is required. The experiences of smaller and more specialized firms may yield additional information about 401(k) plans which will give more knowledge about how salary reduction arrangements can provide retirement income for individuals. Additional studies can expand and refine the data presented here.

One survey respondent called 401(k) plans "the employee benefit of the decade." Future generations of American employees may find it to be their most significant retirement benefit as well. □



Alan D. Entine has been director of the Mid-Life Assessment Program at the State University of New York at Stony Brook since 1976. This is a multidisciplinary graduate program focusing on middle and old age. Dr. Entine is also a consultant to government and industry.

Before his association with Stony Brook, he was on the faculty of Columbia University, where he was associate dean of the School of General Studies. He holds an AB from Middlebury College and MA and PhD degrees from Columbia University.



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**Financing Choices Change
the Real Estate Investment Picture**

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Pension World

February 1985
Volume 21 Number 2

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Cover: Fountain Place, twin 60-story silver-glass towers (superimposed) are changing the Dallas skyline. The New York State Teachers' Retirement System provided a \$174 million loan commitment for the project. Photo courtesy of Criswell Development Company, Dallas. Our special section on real estate investing begins on page 18.

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BPA
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How do mutual fund managers make investment decisions?

Textbook techniques have few adherents among investment practitioners, according to this study.

The purpose of this paper is to highlight the results of a questionnaire directed to the managers of 163 mutual fund portfolios. The managers were asked to describe their management techniques and comment on the academic viewpoint of portfolio management. Since the 1970 study by Smith and Goudzwaard¹, limited attention has been given in the investments literature to current portfolio management practices. As a consequence, there is little evidence concerning the techniques of security selection, market timing, and diversification that are being employed by practitioners. There is even less known about how practitioners measure their success at these activities. Conversely, the literature consists of numerous texts and articles written by academicians on the general topic of "modern" portfolio management techniques.

Smith and Goudzwaard discussed in detail the argument concerning whether investment education leads, lags or moves concurrently with industry practice. Although they were unable to reach a definitive answer, their results did suggest that a wide gap exists between the viewpoints of practitioners and academics concerning many portfolio management issues.

This study also identifies a major gap between the academic view of portfolio management and the actual practices of a sample of mutual fund managers. Since the academic viewpoint is well documented in textbooks and journal articles, this paper presents the view of mutual

fund portfolio managers, based on their responses to a mail survey. To the authors' knowledge, no research since the Smith and Goudzwaard article has attempted to investigate the current practices and procedures used by portfolio managers.

This article is based on a more extensive study² that also relates the questionnaire results to possible implications for the assumptions, methodologies, and conclusions of academic research directed at investment performance research. The larger study is, therefore, of primary interest to the academic community. This paper highlights current management practices and is directed at the practitioner.

Respondents

A random sample of 163 mutual funds was selected and questionnaires mailed in December 1982. After a follow-up questionnaire, a total of 73 usable responses were received (a 44.8 percent response rate). Table 1 gives a profile of the respondents by fund objective, size, and experience of the portfolio manager.

Analysis of the data indicated that the responding funds are similar to the overall population of mutual funds in terms of fund objec-

tives. Funds of varying size responded, the smallest having \$2 million of assets and the largest, \$1.4 billion. The mean asset size was \$138 million. The majority of responding portfolio managers have five or more years' experience as a manager.

Security selection

The survey questions dealing with security selection (identifying under- and over-valued securities) attempted to determine how the portfolio manager evaluates the success of individual security analysts and the success of the fund in selecting undervalued securities. The vast majority of portfolio managers (32.9 percent) indicated they do not have a formal procedure to evaluate the selection success of their analysts. Even fewer (28.2 percent) said they formally evaluate their fund's selection success separately from overall performance. A few portfolio managers described how selection performance was measured, but generally their responses were not specific enough to be reported in this study.

Market timing

The survey included comprehensive questions about market timing that covered both the techniques employed and how the success of timing efforts is evaluated. Timing was defined for the survey participants as "the shifting of portfolio assets into more market sensitive securities prior to an expected rising market and vice versa." Fifty-nine percent of the respondents indicated they use market timing. The

by **JOHN M. CHENEY**
Associate Professor of Finance
and **E. THEODORE VEIT**
Associate Professor of Finance
Department of Finance
College of Business Administration
University of Central Florida
Orlando, FL

majority indicated they concentrate their efforts on identifying market trends that will continue for six months or longer. The implication is that timing is an important activity for mutual funds, but primarily for major or long-term market trends rather than for short-term minor cycles.

Table 2 provides some interesting information about the techniques used to implement timing strategies and the importance of each technique. It indicates that the most important timing technique involves shifting cash into or out of bonds and/or stocks. Of the funds that use market timing, 95 percent indicated they use this particular timing technique, and most view it as being a very important activity. Shifting portfolio funds between stocks and bonds and shifting assets within a

single class of securities are also used by some portfolio managers; however, these techniques are of less importance.

Questions about the importance of selection and timing to total return performance received interesting responses. Assuming that managers are actively trying to "beat the market," do they attribute their success more to timing activities or selection, or equally to both? The mean percentages indicated in Table 3 clearly indicate that selection of undervalued securities is viewed as the primary source of returns. It is interesting to note, however, that one respondent feels that timing accounts for as much as 80 percent of the total fund return. The responses imply that although both timing and selection are used by fund managers, selection is much more

important as a source of return—even with the major market movements of recent years.

Another important activity of a portfolio manager is risk management. While the Investment Company Act specifies certain types of diversification requirements, the survey asked the respondents to indicate other self-imposed requirements. Approximately half the respondents indicated the existence of additional requirements, which are presented in Table 4.

The most common requirement is a limitation on investments in a single industry. Limits are less frequently imposed on the proportion of equity or fixed income investments, or restrictions by geographic region and company characteristics. These results imply that fund managers feel that adequate diversifica-

Table 1 Characteristics of the Mutual Funds Participating in the Survey

Fund Objective	Number of Funds	Percent of Total Respondents
Maximum Capital Gains	16	21.9%
Long-Term Growth of Capital, Income Secondary	31	42.5
Growth and Current Income	14	19.2
Income Flexible Policy	10	13.7
Balanced	2	2.7
Totals	73	100.0%
Assets Managed by the Funds		
\$15 million and less	20	27.4%
\$15.1 million to \$50 million	20	27.4
\$50.1 million to \$150 million	17	23.3
More than \$150 million	16	21.9
Totals	73	100.0%
Years the Current Portfolio Manager Has Managed the Fund		
Less than 1 year	8	11.0%
1 to 2.9 years	18	24.7
3 to 4.9 years	9	12.3
5 years or more	40	54.8
Totals	73	100.0%

Table 2 Importance of Various Timing Methods
Number of Responses (Percent)

Timing Method	Very Important	Moderately Important	Somewhat Important	Not Important	Totals	Weighted Response*
Shifting cash or near-cash assets into bonds and/or stocks and vice versa	25(82.5)	7(17.5)	0(15.0)	2(5.0)	40(100.0)	3.38
Shifting assets within a risk class (e.g., exchanging stocks with volatile prices for stocks with less volatile prices)	5(13.2)	10(26.2)	18(47.5)	5(13.2)	38(100.0)	2.38
Shifting assets from stock investments to bond investments and vice versa	3(2.2)	2(5.0)	7(19.4)	18(52.5)	30(100.0)	1.98

*Calculated using a value of 4 for "very important," 3 for "moderately important," 2 for "somewhat important," and 1 for "not important."

tion is achieved by complying with legal restrictions and by limiting the amount of exposure to a single industry. The vast majority of fund managers responding to a separate question indicated they do not attempt to measure diversification statistically as suggested such by academic researchers as Francis and Archer.³ Also, a few fund managers (11 percent) try to measure the success of their diversification efforts.

Performance evaluation

One very popular subject of recent academic research concerns the use of quantitative models and techniques to evaluate portfolio performance. Mathematical portfolio analysis based on capital market theory and suggested by Jensen⁴, Sharpe⁵, Treynor⁶, and others, essentially requires an evaluation of returns relative to the risk of the portfolio. Past academic studies that use these techniques to evaluate mutual fund performance have generally concluded that mutual funds cannot consistently "beat the market."

The vast majority of mutual fund managers responding to questions about performance evaluation indicated that they do not use the academically suggested techniques. Not surprisingly, they reject the conclusion that mutual funds cannot consistently "beat the market." As Table 5 indicates, most fund managers assess performance by making a comparison of their returns with the returns of other funds having similar objectives, or with a market index such as the S&P 500. It should be noted that the former method implicitly considers risk (although perhaps not adequately), while the latter does not.

Another interesting aspect of performance evaluation concerns how funds feel about their own perfor-

mance. As indicated above, academic studies generally indicate that mutual funds cannot consistently outperform the market. As Table 6 shows, however, approximately 76 percent of the respondents indicate their *overall* performance over the past five years is either good or outstanding. They also rate their performance in the area of selection as good or outstanding. However, they feel they are less successful in conducting their timing and diversifi-

cation activities. Clearly this Table illustrates the divergence between the views of practitioners and academicians concerning performance.

When one compares the responses to the questionnaire used in this study to the academic viewpoint of portfolio management frequently reported in the literature, there is clearly a major gap between the two viewpoints. One major difference concerns diversification: how can it be achieved, and how

Table 3 Percentage of Total Return Attributable to Timing and Selection

	N	Range		Mean	Std. Deviation
		High	Low		
Successful Timing	60	80.0%	0.0%	19.0%	19.8%
Successful Selection	66	100.0%	0.0%	78.6%	24.5%

Table 4 Self-Imposed Mutual Fund Diversification Requirements

Requirement	Number of Responses	Percent of Funds
Limits on the amount of investment in a single industry	33	86.3%
Limits on the proportion of total assets invested in equities or fixed income securities	6	16.2
Geographical restrictions	1	2.7
Limits on the amount of investment in companies with specific characteristics (foreign, young companies, etc.)	2	5.4

Table 5 Methods of Portfolio Performance Evaluation Used by Mutual Fund Managers

	Number	Percent of Mutual Funds*
Compare fund returns with those of funds having similar objectives	67	91.8%
Compare fund returns with a market index such as the S&P 500	65	88.0%
Pay an outside firm to evaluate portfolio performance	9	12.9%

*Participants were not limited to one response.

Table 6 Portfolio Managers' Evaluations of Their Funds' Performance During the Past Five Years
Number of Responses (Percent)

	Outstanding	Good	Average	Needs Improvement	Totals*	Weighted Response**
Timing	9(10.2)	19(38.8)	18(36.7)	7(14.3)	48(100.0)	2.45
Selection	23(34.8)	31(47.6)	8(13.0)	3(4.6)	66(100.0)	3.12
Diversification	9(17.6)	24(46.3)	15(28.3)	6(9.4)	53(100.0)	2.70
Overall Performance	23(32.4)	31(43.7)	14(19.7)	3(4.2)	71(100.0)	3.04

*Portfolio managers were permitted to respond "not applicable." These responses do not appear in this table.

**Calculated using a value of 4 for "outstanding," 3 for "good," 2 for "average," and 1 for "needs improvement."

can its success be measured? Another gap that exists concerns the academic community's view of efficient capital markets and the merits of passive investment management, versus the practitioners who favor active strategies involving selection and timing. Practitioners clearly feel they can identify under- and over-valued securities and that these activities make a significant contribution to overall portfolio returns. They are less confident of their timing activities, however, and the contribution of timing to overall portfolio performance.

Views on performance evaluation are also quite different. Measures of performance based on a statistical evaluation of risk as suggested in academic research are largely ignored by portfolio managers. Practitioners continue to feel that performance can best be evaluated by comparing portfolio returns to the returns on portfolios with similar objectives.

The practitioners participating in our study also place little importance on academically derived portfolio management tools. When asked to indicate the importance of seven different academically derived tools, all of the tools were judged to be "not important" by the majority of the portfolio managers. The tools listed included beta and standard deviation as risk measures, Markowitz portfolio analy-

sis, and others. This offers dramatic evidence of the gap between the views of the academic community and the views of practitioners.

This paper is unable to answer the question of *why* there is a gap between theory and practice. Does it exist because practitioners are unwilling to use the ideas offered by academicians because they feel they have limited practical value? Or does the gap exist because the academic community has done a poor job of communicating their ideas to the practitioner? □

FOOTNOTES

1. Keith V. Smith and Maurice B. Goudzwaard, "Survey of Investment Management: Teaching Versus Practice," *The Journal of Finance* (May 1970), pp. 329-347.
2. E. Theodore Veit and John M. Cheney, "Mutual Fund Timing, Selection and Diversification: A Survey," forthcoming in *The Financial Review*.
3. Jack C. Francis and Stephen H. Archer, *Portfolio Analysis*, 2nd Ed., Prentice-Hall, Inc., Englewood Cliffs, NJ, pp. 232-237.
4. M.C. Jensen, "The Performance of Mutual Funds in the Period 1945-64," *The Journal of Finance* (May 1968), pp. 389-416.
5. William F. Sharpe, "Mutual Fund Performance," *Journal of Business* (January 1966), pp. 119-138.
6. Jack L. Treynor, "How to Rate Management of Investment Funds," *Harvard Business Review* (July-August 1966), pp. 131-136.



John M. Cheney is an associate professor of finance at the University of Central Florida. He received his MBA from the University of Georgia and DBA from the University of Tennessee. He researches corporate bonds, investment performance, valuation techniques and quantitative techniques applied to investment problems.



E. Theodore Veit is an Associate Professor of Finance at the University of Central Florida. He previously held a similar position at West Virginia University. He earned his MS and Ph.D. at the University of Arkansas and holds the CFA designation. His research interests are in portfolio management and asset valuation.

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Equitable Expands Its Investment Horizons

New York City Building - 100th St.

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April 1985
Volume 21 Number 4

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Equitable expands its investment horizons

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Ronald Derven

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Cover: Highlights of Equitable's investment activities are featured, clockwise from top left: Equitable Investment Management Corporation's Franklin Kennedy III, chief investment officer; Donald R. Kurtz, chairman; Judith A. Taylor, portfolio manager; and Richard L. Winters, head of equity trading, discuss trading strategies before the opening of the market. Equitable Center, a 54-story office tower in midtown Manhattan, will become the company's new headquarters when completed later this year. Timberfund is one of Equitable's new investment products.

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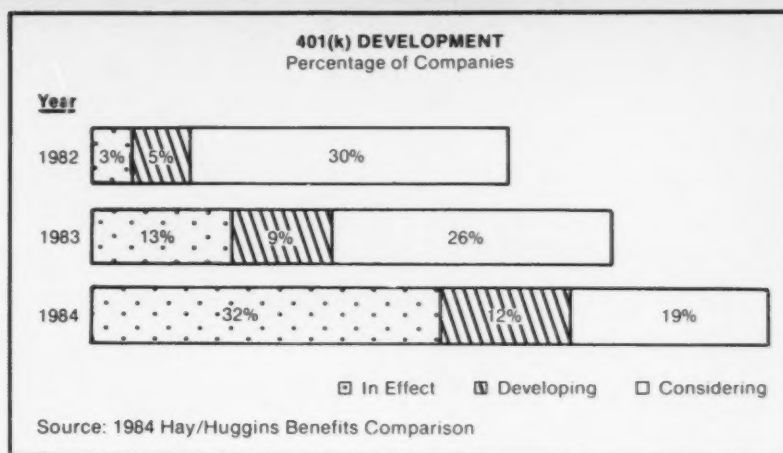
BPA

ISSN 0098-1753

401(k) explosion continued in 1984

■ The 401(k) concept continues to be widely received by employers and employees alike, according to the December Hay/Huggins Bulletin on Employee Benefits & Actuarial Services.

Because of its tax saving opportunity, the percentage of responding companies currently sponsoring 401(k) plans has almost tripled since last year. As the accompanying graph indicates, 63 percent of the participants have a plan, are in the development stage or are seriously considering one. The majority have amended an already existing capital accumulation plan to add a 401(k) feature. Most employers will match employees' contributions; the remainder are set up as pure salary



reduction plans. Fairly high deferral rates were reported among those plans already in operation, with participation levels almost as high in the lower-paid group as in

the higher-paid. For more information contact Hay/Huggins CLIENT SERVICES STAFF, 229 S. 18th St., Philadelphia, PA 19103.

In brief ...

■ **Equitable Real Estate Investment Management, Inc.**, New York, says its \$2.6 billion pooled Real Estate Account No. 8 showed a 14.1 percent return in 1984. Income accounted for 7.5 percent of the 1984 gain; property appreciation, for 6.6 percent. The account has 270 clients and 233 properties...**The Wyatt Company** has acquired **Stone, Young & Company**, Upper Montclair, NJ, an actuarial and pension consulting firm...**MIDCO**, The Prudential's pension investment account for stocks of small and mid-sized companies, has achieved a 104.3 percent return on investor funds since its inception in September 1980, as compared to 63.6 percent for the Standard and Poor's 500-Stock Index...The value of the total Individual Retirement Account market increased by \$40 billion from December 1983 to December 1984, according to estimates from the **Investment Company Institute**...**The Travelers Corporation** has agreed in principle to acquire **Brokers Mortgage Service, Inc.**, West Collingswood, NJ, a regional mortgage banking business which originates, sells, and services mortgage loans...**Landauer Advisors, Inc.**, the real estate investment advisory division of Landauer Associates, Inc., has arranged a joint venture and financing agreement between

the owner of two properties in Indianapolis and a major European pension fund. The properties, **Keystone At The Crossing Fashion Mall** and **8555 Keystone At The Crossing**, were developed by **Philip R. Duke & Associates** and the **Prudential Insurance Company of America**, and are a mixed-use project...**The Central National Bank of New York** and the investment advisory firm of **Abner, Herrman & Brock Inc. (AHB)** have entered into an agreement whereby AHB will offer personalized investment management services to Central National's corporate clients, specifically corporate pension and profit-sharing plans.

Dutch Institutional Holding Company, Inc. (DIHC) Atlanta, has reorganized its operations under the name of **DIHC Management Corporation**. DIHC is the United States real estate entity of **Pensionfund PGGM of The Netherlands**...**The CourTrust Companies**, Miami, a real estate investment firm, has been formed as a joint venture of **Courtellis Capital Company** and **HMG Capital Corporation**, headed by Alec Courtellis and Maurice Wiener respectively. Richard Schwartz serves as president and director of the CourTrust Companies.

Branch Banking and Trust Company, Raleigh, NC, will develop a 401(k) plan covering approximately 255,000 North

Carolina employees, teachers, law enforcement officers and other local government employees. In addition to State employees eligible to participate, the special annuity savings fund of the State's law enforcement officers retirement system, estimated at \$26 million, was transferred to this 401(k) on January 1...**Boston Safe Deposit and Trust Company** has formed two new commingled funds, the **Equity Index Fund** and the **Bond Index Fund**. The Equity Index Fund is designed to closely approximate the S&P Index, while the Bond Index Fund will follow the Shearson Lehman Government/Corporate Bond Index...**T. Rowe Price Associates, Inc.** and **Coldwell Banker Commercial Group, Inc.** have announced a public real estate limited partnership to be offered without sales charge. The T. Rowe Price Realty Income Fund I will invest in a diversified portfolio of existing income-producing business and industrial properties which will be acquired for cash...**South Carolina Electric & Gas Company** has named **The Boston Company** to manage a \$30 million dedicated fixed income account...**The Winterthur Insurance Companies** have established a new company, **IFISCO—International Financial and Insurance Services AG**, with offices in Zurich, Switzerland. The purpose of the new company is to

AUGUST 1985

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Pension World

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RepublicBank Trust Company: Shifting to a National Focus



RepublicBank's Turner, Anderson, White, Brown and Pittman

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**Connecticut's Henry Parker
Fights Apartheid
with Investment Clout**

**Special Section:
401(k)s Today**

Pension World

August 1985
Volume 21 Number 8

The Magazine for Plan Sponsors and Investment Managers/A Publication of Communication Channels, Inc.

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Kathleen N. Crighton

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Cover: Left to right are RepublicBank Trust Company managers Jerry L. Turner, senior vice president and director, master trust services; H. Edward Anderson, vice chairman and chief investment officer; Richard S. White, chairman; Paul F. Brown, senior vice president and director, employee benefit division; and David J. Pittman, senior vice president and director, trust corporate services marketing.

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Before you start... What are other companies doing?

*When setting up a 401(k) plan, it helps
to know what other employers have experienced.*

Companies today can design a 401(k) pre-tax savings plan with much less guesswork than was necessary just one or two years ago. Surveys of plan experience provide a great deal of information that can be useful both in designing a new plan or modifying an existing one.

Many companies have implemented pre-tax savings plans since November 1981 when the proposed regulations on Section 401(k) were issued. A recent Hewitt Associates survey of 762 companies indicates that 58 percent had a pre-tax savings plan in place by the end of 1984. A separate Hewitt survey, conducted among Fortune-listed companies, shows that over 70 percent have pre-tax savings features in their capital accumulation plans. Thus, while most major companies have implemented 401(k) plans, there is still a significant number that have not. Those planning to implement a plan will be able to benefit from the experience of their predecessors. The purpose of this material is to address specifically how a company without a pre-tax savings plan can use the information to design a new plan, and how

a company with a plan in place might use the data to modify current design.

Establishing objectives

The first step for a company is to establish its objectives for a pre-tax savings plan. For companies with an existing savings, thrift, or profit sharing plan, establishing objectives may be relatively simple—the key objective may be to convert current employee contributions to a pre-tax basis. If the company has no current plan, there may be more issues that need to be addressed, including:

- How does a 401(k) plan fit into the overall employee benefit program?
- What is the company's competitive position?
- What are the company's cost parameters?
- What is the primary role for the plan?

In today's environment, there are

many alternative uses for 401(k) plans. Some of the typical objectives for companies addressing this issue include the following:

- Reduce or limit defined benefit pension obligations.
- Add or improve a capital accumulation plan.
- Encourage employee contributions to the retirement income system.
- Convert current employee contributions to a pre-tax basis.

For companies with plans in effect, it also may be worthwhile to reconsider plan objectives and design in light of recent experience. Many companies in 1982 and 1983 designed their plans conservatively because 401(k) plans were new and there was little experience with the 401(k) nondiscrimination test. With the advantage of 20/20 hindsight, many of these plans may have been more restrictive in some areas than necessary, and there may be areas in which restrictions could be eased. For example, employees could be allowed to change their contribution elections more frequently, because experience has shown that these provisions generally do not have a material impact on the over-

by **DUANE C. BOLLERT**
Consultant
Hewitt Associates
Chicago, IL

all nondiscrimination test results, and greater flexibility is usually viewed favorably by employees.

Designing a plan

The major design issues for a 401(k) plan are relatively straightforward, including areas such as eligibility, company and employee contributions, vesting, investment options, and access to funds. The following material discusses each of the key design areas and sheds light on "typical" practice based on data from almost 200 plans in effect.

Eligibility. Eligibility is generally determined by the company's overall benefit practices. Age- or service restrictions may be applied to limit administrative costs and exclude younger, shorter-service employees, who may be less likely to participate and thus limit the pre-tax savings opportunities for others. Most organizations are using a service restriction and have moved away from using age restrictions in 401(k) plans.

"The amount of the company contribution is perhaps the key element in plan design."

Company Contributions. The amount of the company contribution is perhaps the key element in plan design. It determines the company's overall cost for the plan and is a major factor in influencing employee participation. A company contribution can provide a strong incentive for employees to participate, because a match on employee money provides an immediate return.

Eighty-four percent of the companies in the Hewitt Associates survey of two hundred 401(k) plans use a matching feature. The level of the match varies as indicated in Table 1. Half the companies (50 percent) match employee contributions up to six percent of pay. Only seven percent of the companies match a higher amount. The match is generally a percentage of pay but could be a flat dollar amount, profit-related, or some combination of the two, depending on the company's objectives.

Table 1

Levels of Employer Matches to Employee Contributions

Employer Match per Dollar	Percent of 168 Plans
Less than \$0.50	9
\$0.50 - < \$1.00	45
\$1.00	14
More than \$1.00	1
Profit-related	16
Other (e.g., varies by years of participation or amount contributed)	15
Total	100

Table 2

Types of Vesting Offered in 401(k)s

Type of Vesting	Percent of 181 Plans
Graded (contributions vested on a per year of service/participation basis)	34
100% immediate	24
Class year (contributions vested on basis of year in which they were made)	23
Cliff vesting (contributions 100 percent vested after specified length of service/participation)	5
Other (mixture of any two vesting schedules described above)	14
Total	100

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"Clearly, it is important for a plan to have a competitive investment vehicle for employer and employee contributions."

Vesting in Company Contributions. Typically, 401(k) plans include a vesting schedule on company contributions to reward service. The most prevalent type of vesting is a graded schedule as shown in Table 2.

Employee Contributions. There are several decisions to be made with regard to employee contributions. Should pre-tax and after-tax contributions be permitted? What level of each should be permitted? Should both types of contributions be matched? The appropriate answers to these questions will vary based on the company's objectives for the plan, work force characteristics, and prior plan history. Our survey shows that 78 percent of plans in effect offer employees the opportunity to contribute on a pre-tax basis as well as an after-tax basis. However, many of the newer plans are moving towards allowing only pre-tax contributions.

Investment Options. Clearly, it is important for a plan to have a competitive investment vehicle for employer and employee contributions. Many plan sponsors offer employees a choice of investment options with different levels of risk. However, the impact of additional investment options on participation may be small relative to that of a company match or easier access to funds.

Of the plans in the 1985 Hewitt Associates survey, 71 percent offered three or more investment options for employee money. For employer money, 46 percent of the plans offered only one investment option (typically company stock), while 59 percent of the plans offered two or more investment options.

Access to Funds. Access to funds is another item to consider in the design of a 401(k) plan. Currently there are two basic ways to provide employees access to these funds: in-

service withdrawals and loans. A majority of the plans (87 percent) in the survey offer financial hardship withdrawals. Typically, hardships are defined as the purchase or renovation of a primary residence, educational expenses, or uninsured medical expenses. In addition, the study shows that plans offering hardship withdrawals experienced a nine percent higher participation rate than those without hardship withdrawals.

Loan features provide an alternative method for offering employees in-service access to funds. A loan provision also helps preserve the long-term retirement savings objectives of most companies, as employees are required to pay back the loan. According to our survey, 36 percent of plans permit employees to borrow 401(k) money. Among these companies, the average interest rate for loans was 11.7 percent, a rate that is typically fixed for the term of the loan. Interestingly, among those companies with loan provisions, only 15 percent of the employees on average had a loan outstanding. Plans offering

loans experienced a six percent higher level of plan participation than those without loans.

Employee Participation. As might be expected, participation levels are different among employees in the lower-paid two-thirds and the higher-paid one-third (these are the two groups that must be evaluated in the 401(k) nondiscrimination test). Of the lower-paid two-thirds of employees, 54 percent participated in the average plan, while 73 percent of the higher-paid employees participated. The average employee contribution for the lower-paid two-thirds was 3.4 percent of pay. For the higher-paid one-third, it was 5.4 percent. However, if the data are analyzed for *only those employees who elected to participate* (eliminating the noncontributors), the spread between participation rates for both groups is significantly reduced. The average contribution for the lower-paid two-thirds was 6.3 percent, while for the higher-paid one-third it was 7.4 percent. Initially, the narrowness of the spread between actual contributions in both groups surprised some

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Table 3 Maximum Employee Contribution Levels

	Plans With A Match (168 Plans)	Plans Without a Match (31 Plans)
9% or less	31%	28%
10%	21%	42%
11% or more	47%	25%
Other (e.g., flat dollar)	1%	5%
Total	100%	100%

plan sponsors. Apparently, many "lower-paid employees" are second wage earners and have as much or more discretionary income as some of the employees in the "higher-paid" category.

When designing the plan, it is important to look for ways to decrease the number of noncontributors, who are primarily in the lower two-thirds. The most effective way is to provide a company match. In addition, a company match may affect the level of employee contributions a company decides to allow to the plan. Many plans without a company match have set the maximum employee contributions somewhat lower than those companies with a match to ensure passing the 401(k) nondiscrimination test. A comparison is shown in Table 3.

Employee communication

Communication with employees is vital to the success of a pre-tax savings plan. When employees un-

derstand how to participate and are able to make wise choices on how much to save and where to invest the money, they are generally quite enthusiastic about their 401(k) plan. Why?

First, many companies "market" the plan with more inventive methods than they typically would use for other benefit plans. While employee meetings, newsletters, and brochures remain a common way to announce new 401(k) plans or explain benefit changes, some attention-grabbing alternatives are also being used. For example, an actor portraying Benjamin Franklin might appear in a videotape giving advice on saving, or token "banks" might appear on every employee desk to emphasize the importance of saving.

Second, to make thoughtful participation decisions, employees need to know how they personally will be affected. A 401(k) communication package often includes a calcula-

tion wheel that shows annual tax consequences of saving and future account growth. Telephone hotlines are becoming more common as a way to answer employees' individual questions. In short, companies are going to great lengths to communicate 401(k) plans.

Conclusion

Pre-tax savings plans offer employees significant advantages that are generally not available elsewhere. Most companies have implemented or are planning to implement plans of this type to provide these advantages to their employees. The plans also can serve many additional corporate purposes, such as reducing pressure on pension, and including employees in the retirement income system.

There are at present legal uncertainties surrounding 401(k) plans which stem from tax proposals now before Congress. (See accompanying story.) Although several key items face change, the basic advantages of pre-tax savings and capital accumulation are likely to be continued. Thus, these plans should continue to play a major role in the retirement income and capital accumulation system. The experience that has been gained since 1981, when individual salary reduction was first recognized, can be useful to companies in designing plans to meet company and employee needs. □

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Duane C. Bollert is a consultant in the Chicago regional office of Hewitt Associates. He assists clients in developing cost-effective approaches for management of employee benefits, including flexible compensation plans. He holds a BBA from the University of Michigan and an MBA from UCLA.

Current Issues In Plan Design

State employee health benefit plans are zeroing in on cost containment

State employee health benefit plans continue to introduce cost management provisions and incentives for most cost effective health care. Despite this emphasis on cost management, the average state expenditure for employees' health benefits increased during the year ended January 1985 by roughly double the percentage rise in national medical care costs as measured by the Consumer Price Index.

These findings are based on Martin E. Segal Company's 1985 update of its survey of state employee health insurance plans. The company's most recent comprehensive survey, which was published in 1983, provides information on the coverage, benefits, financing and administration of the health benefit plans provided for employees of all 50 states and the Virgin Islands. In 1985 the survey was updated to reflect current contribution rates and new cost management efforts.

The three 1985 update tables contain a host of figures on contributions to state employee health benefit plans for January 1985 and January 1984. Nevertheless, additional contribution data could have been included for many states. The figures shown in the tables cover only the "basic plan" and do not include the various HMOs offered to state employees. In addition, for those states with multiple benefit plans, the tables show figures for only the "low" and "high" basic plans.

The 1985 update tables present contribution data for the basic plans covering employees of each of the 50 states and the Virgin Islands. Tables 1 and 2 show 1985 and 1984 contributions for Employee Only Coverage and Employee and Family Coverage, respectively. Table 3, which shows contributions for Retiree Only Coverage, applies to single retirees who are also covered by Medicare.

Employee Only Coverage

As of January 1985, 30 states were paying 100 percent of the cost for employee only coverage under at least one basic plan. Between 1984 and 1985, the distribution of state plans by the state's share of total cost for employee only coverage changed as follows: states paying 100 percent of the total cost remained at 30; states paying 90 to 99 percent increased from six to seven; states paying 80 to 89 percent increased from five to seven; states paying 70 to 79 percent decreased from six to three; and states paying less than 70 percent remained at four.

From January 1984 to January 1985, the percentage of the total cost paid by the state for employee only coverage increased in five states: (1) Hawaii—40 percent to 60 percent; (2) Ohio—73 percent to 84 percent for employees who elect the new less expensive plan; (3) Texas—90 percent to 100 percent for the more expensive plan; (4) Vermont—75 percent to 80 percent;

and (5) Wyoming—74 percent to 94 percent. On the other hand, the state's share decreased slightly in California; in Maryland for the high basic plan from 85 percent to 75 percent; and in the Virgin Islands from 75 to 50 percent.

Under the New Mexico plan, the state's share of the total cost for basic coverage varies depending on the employee's annual salary. Effective July 1, 1984 New Mexico pays 75 percent for employees earning less than \$15,000, 70 percent for \$15,000 to \$19,999, 65 percent for \$20,000 to \$24,999, and 60 percent for employees with annual salaries of \$25,000 and over.

During the year ended January 1985, the total cost for employee only coverage increased in 39 states, remained the same in seven states, and decreased in five states.

Although averages can be misleading because they conceal the very wide diversity in state employee health plan benefits and costs, the average total cost for employee only coverage increased to \$77.78 for January 1985 from \$71.70 for January 1984—a percentage rise of 8.5 percent. The average state cost increased by a larger percentage than the average total cost—to \$71.91 from \$65.65 or by approximately 9.5 percent—because the average state share for the 50 states and the Virgin Islands combined increased from 91.6 percent in 1984 to 92.5 percent in 1985.

While the percentage changes in an individual state's costs varied substantially, the 9.5 percent increase in the average state cost for employee only coverage was much higher than the 5.8 percent rise in the medical care component of the CPI for All Urban Consumers.



by **JOHN P. MACKIN**
Senior Vice President
Martin E. Segal Company
New York, NY

Employee and Family

About one-fourth of the states pay for the full cost of health benefits for employees and their depen-

Table 1

Monthly Contributions to State Employee Health Insurance Plans: 1984 And 1985 Employee Only Coverage

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Alabama	0	0	94.32	100.00	94.32	100.0	100.0%	100.0%
Alaska	0	0	184.57	184.57	184.57	184.57	100.0	100.0
	0	0	234.84	234.84	234.84	234.84	100.0	100.0
Arizona	1.00	1.00	67.90	79.46	68.90	80.46	98.5	98.8
Arkansas	20.84	23.64	48.00	55.00	68.84	78.64	69.7	69.9
California	9.19	11.90	76.00	86.00	85.19	97.90	89.2	87.8
	24.26	37.17	76.00	86.00	100.26	123.17	75.8	69.8
Colorado	12.00	12.00	53.12	53.12	65.12	65.12	81.6	81.6
Connecticut	0	0	79.98	84.69	79.98	84.69	100.0	100.0
Delaware	0	0	64.32	77.80	64.32	77.80	100.0	100.0
	16.92	19.52	64.32	77.80	81.24	97.32	79.2	79.9
Florida	13.28	15.18	59.50	65.20	72.78	80.38	81.8	81.1
Georgia	13.10	13.60		62.95		76.55		82.2
		26.65	56.20	62.95	69.30	89.60	81.1	70.3
Hawaii	23.58	17.36	15.98	26.04	39.56	43.40	40.4	60.0
Idaho	0	0	73.10	73.10	73.10	73.10	100.0	100.0
Illinois	0	0	75.56	77.56	75.56	77.56	100.0	100.0
Indiana	1.58	1.58	62.88	72.45	64.46	74.03	97.5	97.9
Iowa	19.60	23.34	71.32	79.92	90.92	103.26	78.4	77.4
Kansas	0	0	84.78	83.42	84.78	83.42	100.0	100.0
Kentucky	0	0	49.00	53.82	49.00	53.82	100.0	100.0
Louisiana	39.52	39.52	39.52	39.52	79.04	79.04	50.0	50.0
Maine	0	0	58.20	67.08	58.20	67.08	100.0	100.0
Maryland	10.20	10.74	57.88	60.86	68.08	71.60	85.0	85.0
	11.12	20.58	63.00	60.86	74.12	81.44	85.0	74.7
Massachusetts	9.55	9.87	85.98	88.82	95.53	98.69	90.0	90.0
Michigan	10.38	11.12	93.41	100.14	103.79	111.26	90.0	90.0
Minnesota	0	0	69.50	73.00	69.50	73.00	100.0	100.0
Mississippi	0	0	48.80	58.80	48.80	58.80	100.0	100.0
Missouri	0	0	64.00	64.00	64.00	64.00	100.0	100.0
Montana	0	0	75.00	93.70	75.00	93.70	100.0	100.0
Nebraska	0	0	38.05	41.25	38.05	41.25	100.0	100.0
	10.97	11.89	41.02	44.47	51.99	56.36	78.9	78.9
Nevada	0	0	103.50	124.20	103.50	124.20	100.0	100.0
New Hampshire	0	0	56.33	61.03	56.33	61.03	100.0	100.0

dents, but almost half pay less than 70 percent of the total cost for family coverage. The distribution of state plans by the state's share of the total cost for employee and family coverage changed only slightly between 1984 and 1985.

Twelve states pay 100 percent of the cost for family coverage under at least one plan. They are Alaska, Delaware, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Oregon, Pennsylvania, Rhode Island, Washington and West Virginia. The number of states paying 90 to 99 percent of the cost of employee and family coverage remained at five between 1984 and 1985. Those paying 80 to 89 percent increased from four to six; those paying 70 to 79 percent dropped from seven to six; and those paying less than 70 percent dropped from

23 to 22. In January 1985, nine of these 22 states paid less than 40 percent of the total cost for family coverage.

Between 1984 and 1985 the state's share of the total cost for employee and family coverage increased in 16 states, remained the same in 28 states, and decreased in seven states. Examples of states that increased their share include: Hawaii—40 percent to 60 percent; Montana—68 percent to 73 percent; Nevada—52 percent to 59 percent; South Carolina—47 percent to 51 percent on the low option plan; Vermont—75 percent to 80 percent; and Wyoming—37 percent to 47 percent. States that decreased their share include: Mississippi—43 percent to 40 percent; Texas—75 percent to 50 percent on the low option plan; and the Virgin Islands—39 percent to 27

percent.

For the 50 states and the Virgin Islands, the average total cost for family coverage increased by approximately nine percent to \$175.27 for January 1985 from \$160.80 for January 1984. Although the share of the total cost paid by the state varies from 100 percent to less than 40 percent, the average state share for the 51 plans combined was 71.9 percent in 1985 compared to 70.7 percent in 1984. The average state cost for family coverage was 10.7 percent higher in January 1985 (\$126.00) than in January 1984 (\$113.77); the percentage increase in the average state cost for family coverage was almost double the 5.8 percent rise in national medical care costs as measured by the CPI.

Among the 39 state plans where employees contribute for employee

Table 1

Employee Only Coverage (Cont'd)

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
New Jersey	0	0	55.38	58.93	55.38	58.93	100.0%	100.0%
New Mexico	19.57	17.27	29.34	51.79	48.91	69.06	60.0	75.0
	25.29	27.63	37.93	41.43	63.22	69.06	60.0	60.0
New York	0	0	44.84	74.44	44.84	74.44	100.0	100.0
	7.76	9.28	69.88	83.57	77.64	92.85	90.0	90.0
North Carolina	0.25	0.25	48.05	48.05	48.30	48.30	99.5	99.5
North Dakota	0	0	50.00	50.00	50.00	50.00	100.0	100.0
Ohio	25.50	12.75	68.95	68.95	94.45	81.70	73.0	84.4
		25.50		68.95		94.45		73.0
Oklahoma	0	0	100.26	115.31	100.26	115.31	100.0	100.0
Oregon	0	0	80.71	89.51	80.71	89.51	100.0	100.0
—BÜBB Plan	0	0	115.02	136.70	115.02	136.70	100.0	100.0
Pennsylvania	0	0	49.17	54.30	49.17	54.30	100.0	100.0
	0	0	64.58	67.05	64.58	67.05	100.0	100.0
Rhode Island	0	0	52.28	52.15	52.28	52.15	100.0	100.0
South Carolina	0	0	50.37	58.21	50.37	58.21	100.0	100.0
	6.56	6.56	50.37	58.21	56.93	64.77	88.5	89.9
South Dakota	0	0	49.36	50.72	49.36	50.72	100.0	100.0
Tennessee	17.45	20.07	40.71	46.82	58.16	66.89	70.0	70.0
Texas	0	0	66.73	66.29	66.73	66.29	100.0	100.0
	7.89	0	72.00	86.27	79.89	86.27	90.1	100.0
Utah	7.37	8.25	66.30	74.25	73.67	82.50	90.0	90.0
Vermont	13.41	8.65	40.22	34.58	53.63	43.23	75.0	80.0
Virginia	0	0	77.80	65.52	77.80	65.52	100.0	100.0
Washington	0	0	130.30	141.65	130.30	141.65	100.0	100.0
West Virginia	0	0	73.90	79.95	73.90	79.95	100.0	100.0
Wisconsin*	7.64	7.91	68.69	71.21	76.33	79.12	90.0	90.0
Wyoming	24.16	5.94	70.00	100.00	94.16	105.94	74.3	94.4
Virgin Islands	9.36	27.41	28.06	27.41	37.42	54.82	75.0	50.0

*Effective January 1, 1985. State contribution is lesser of 90% of standard plan rate (shown in table) or 105% of lowest cost HMO in employee's residence area.

Where two sets of figures are listed for a state, they represent the "low" and "high" basic plans.

and family coverage, the *average* employee cost increased 4.7 percent to \$64.43 for January 1985 compared to \$61.51 for January 1984. In seven of these 39 states, employees with family coverage contribute more than \$100 a month for the low option plan; and in 10 states the employee's out-of-pocket cost for family coverage exceeds \$100 a month under the high option plan.

Retiree Only Coverage

Table 3 shows 1985 and 1984 contributions for single retirees age 65 and over with Medicare. Contribution data are presented for 49 instead of 51 plans, because Indiana and Nebraska do not offer retired employees the opportunity to continue to participate in the state health benefit plan.

Among the 48 states that make

access to coverage available to retirees, 24 make no contributions toward the cost of retiree health care benefits. In the 24 states and the Virgin Islands where the state makes some contribution toward retiree coverage, the state's share as of January 1985 varied as follows: 15 states paid 100 percent of the cost of coverage for a single retiree; four paid between 80 and 90 percent; two paid 50 percent; and the remaining four paid less than half the total cost for a single retiree.

From 1984 to 1985 the cost of coverage for single retirees age 65 and over increased in 34 states, remained the same in 10 states, and decreased in five states.

As shown in Table 3, more than half the states (a total of 26 including Indiana and Nebraska) do not contribute toward the cost of reti-

ree health care coverage. Over the next several years, these states are likely to see much greater pressures from retirees to pay for part or all of their health care coverage.

Cost management efforts

As part of Martin E. Segal Company's 1985 update of its survey of state employee health benefit plans, information was also obtained on the cost management steps that the various states have put into effect. Here is a brief overview of recent changes in state plan provisions and in the cost management techniques that are being commonly applied.

HMOs—Some 35 states offer employees the option of participating in one or more Health Maintenance Organizations, and in 12 of these states over 15 percent of the covered employees are enrolled in

Table 2

Monthly Contributions to State Employee Health Insurance Plans: 1984 And 1985 Employee And Family Coverage

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Alabama	77.00	82.50	94.32	100.00	171.32	182.50	55.1%	54.8%
Alaska	0	0	184.57	184.57	184.57	184.57	100.0	100.0
	0	0	234.84	234.84	234.84	234.84	100.0	100.0
Arizona	61.44	70.50	128.14	150.98	189.58	221.48	67.6	68.2
Arkansas	44.72	47.52	48.00	55.00	92.72	102.52	51.8	53.6
	70.28	73.08	48.00	55.00	118.28	128.08	40.6	42.9
California	30.97	39.20	185.00	209.00	215.97	248.20	85.7	84.2
	51.79	100.88	185.00	209.00	236.79	309.88	78.1	67.4
Colorado	121.00	121.00	53.12	53.12	174.12	174.12	30.5	30.5
Connecticut	20.01	27.26	86.68	117.72	106.69	144.98	81.2	81.2
Delaware	0	0	158.18	191.98	158.18	191.98	100.0	100.0
	40.74	46.86	158.18	191.98	198.92	238.84	79.5	80.4
Florida	48.46	55.64	111.82	122.80	160.28	178.44	69.8	68.8
Georgia	39.30	39.80	101.65	107.15	140.95	146.95	72.1	72.9
		66.00		107.15		173.15		61.9
Hawaii	72.46	53.36	49.14	80.04	121.60	133.40	40.4	60.0
Idaho	66.74	66.74	73.10	73.10	139.84	139.84	52.3	52.3
Illinois	76.44	67.18	82.56	84.56	159.00	151.74	51.9	55.7
	129.62	123.02	82.56	84.56	212.18	207.58	38.9	40.7
Indiana	36.66	36.66	150.37	178.01	187.03	214.67	80.4	82.9
Iowa	138.76	149.28	80.14	99.20	218.90	248.48	36.6	39.9
Kansas	139.71	137.19	84.78	83.42	224.49	220.61	37.8	37.8
Kentucky	73.66	80.92	49.00	53.82	122.66	134.74	40.0	39.9
Louisiana	90.96	90.96	90.96	90.96	181.92	181.92	50.0	50.0
Maine	42.24	48.58	104.08	119.66	146.32	168.24	71.1	71.1
Maryland	29.08	31.62	164.82	179.18	193.90	210.80	85.0	85.0
	32.80	56.46	185.92	179.18	218.72	235.64	85.0	76.0
Massachusetts	20.06	21.32	180.52	191.83	200.58	213.15	90.0	90.0
Michigan	29.07	31.16	261.67	280.52	290.74	311.68	90.0	90.0
Minnesota	8.50	9.34	146.00	157.18	154.50	166.52	94.5	94.4
Mississippi	65.00	89.70	48.80	58.80	113.80	148.50	42.9	39.6
Missouri	109.00	109.00	64.00	64.00	173.00	173.00	37.0	37.0
Montana	42.00	40.70	90.00	110.00	132.00	150.70	68.2	73.0
Nebraska	0	0	136.24	147.68	136.24	147.68	100.0	100.0
	39.29	42.58	146.88	159.23	186.17	201.81	78.9	78.9

HMOs. In many cases the HMOs have gone beyond the conventional and offer more benefits than the standard plan.

In 1984 several states augmented the use of HMOs. For example, Kentucky added three for a total of four and New Jersey added one for a total of 11. Wisconsin now offers 20 HMOs in various geographic areas of the state, having added four effective January 1, 1985; about 60 percent of all active and retired Wisconsin employees participate in HMOs.

PPOs—Preferred provider organizations, which have generated wide-spread interest in the private sector, are beginning to be explored by the states. Utah established preferred provider arrangements with

hospitals and surgical centers last year; for some preferred providers Utah uses a draft system under which direct payments are made to the provider and no claim form is required on the part of the employee.

In 1984 California added several PPOs, and Florida initiated PPOs in the metropolitan areas of Miami and Jacksonville. Florida reports that it plans to add other areas of the state as soon as new PPO contracts are finalized. Pennsylvania's preferred provider plan became effective on January 1, 1985, and Illinois reports that it expects to make arrangements for hospital PPOs to become effective later this year.

Although PPOs are being considered and discussed by several addi-

tional states, the six states with PPO agreements in place as of January 1985 are California, Florida, Minnesota, Nevada, Pennsylvania and Utah.

Comprehensive Plans—During the past two years, at least nine states have adopted new comprehensive plans to replace the former basic benefit and major medical plans: Idaho, North Dakota and Tennessee in 1983; Kansas, Louisiana, Missouri and Ohio in 1984; and Kentucky and Vermont effective January 1, 1985.

Although the provisions of the various comprehensive plans differ, all include a front-end deductible. The Kansas comprehensive plan adopted in 1984, for example, has a front-end deductible of \$100 per

Table 2

Employee and Family Coverage (Cont'd)

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Nevada	97.38	87.16	103.50	124.20	200.88	211.36	51.5%	58.8%
New Hampshire	0	0	152.09	169.78	152.09	169.78	100.0	100.0
New Jersey	0	0	135.44	143.83	135.44	143.83	100.0	100.0
New Mexico	35.74	45.23	53.60	135.67	89.34	180.90	60.0	75.0
	65.79	72.36	98.67	108.54	164.46	180.90	60.0	60.0
New York	0	0	120.54	158.95	120.54	158.95	100.0	100.0
	31.55	35.46	141.25	162.11	172.80	197.57	81.7	82.1
North Carolina	77.23	77.23	48.05	48.05	125.28	125.28	38.4	38.4
North Dakota	0	0	140.00	140.00	140.00	140.00	100.0	100.0
Ohio	61.13	30.57	165.27	165.27	226.40	195.84	73.0	84.4
		61.13		165.27		226.40		73.0
Oklahoma	108.00	108.00	100.26	115.31	208.26	223.31	48.1	51.6
Oregon	0	0	233.83	257.63	233.83	257.63	100.0	100.0
—BUBB Plan	0	0	115.02	136.70	115.02	136.70	100.0	100.0
Pennsylvania	0	0	126.07	131.35	126.07	131.35	100.0	100.0
	0	0	175.21	179.36	175.21	179.36	100.0	100.0
Rhode Island	0	0	137.49	136.88	137.49	136.88	100.0	100.0
South Carolina	57.12	57.12	50.37	58.21	107.49	115.33	46.9	50.5
	67.38	67.38	50.37	58.21	117.75	125.59	42.8	46.3
South Dakota	110.84	122.36	49.36	50.72	160.20	173.08	30.8	29.3
Tennessee	43.56	50.09	101.64	116.89	145.20	166.98	70.0	70.0
Texas	24.64	88.36	72.00	87.00	96.64	175.36	74.5	49.6
	142.33	144.48	72.00	87.00	214.33	231.48	33.6	37.6
Utah	19.50	21.82	175.33	196.39	194.83	218.21	90.0	90.0
Vermont	37.21	23.99	111.64	95.98	148.85	119.97	75.0	80.0
Virginia	62.40	48.30	146.24	118.48	208.64	166.78	70.1	71.0
Washington	0	0	130.30	141.65	130.30	141.65	100.0	100.0
West Virginia	0	0	173.95	187.95	173.95	187.95	100.0	100.0
Wisconsin*	18.82	19.33	169.34	173.93	188.16	193.26	90.0	90.0
Wyoming	117.92	111.42	70.00	100.00	187.92	211.42	37.2	47.3
Virgin Islands	44.15	74.68	28.06	27.41	72.21	102.09	38.9	26.8

*Effective January 1, 1985, State contribution is lesser of 90% of standard plan rate (shown in table) or 105% of lowest cost HMO in employee's residence area.

Where two sets of figures are listed for a state, they represent the "low" and "high" basic plans.

person (\$200 family) and 80 percent/20 percent coinsurance with maximum limits on out-of-pocket costs of \$200 per person and \$400 for a family. In addition, Kansas added a dental plan with 50 percent coinsurance when it introduced the new comprehensive health benefits plan.

Because comprehensive plans generally apply the front-end deductible to all hospital, medical and surgical benefits, the introduction of such plans may raise questions regarding cost shifting versus cost management.

Deductibles and Co-payments—Beyond the steps taken with regard to comprehensive plans, several states have recently changed deductibles and co-payments. Exam-

ples include: Maryland—increased deductible to \$100 per person (\$300 family maximum); Montana—to \$150 per person (\$450 family maximum); and South Dakota—to \$150 per person (\$600 maximum co-insurance). When Virginia doubled the deductible to \$200, it also reduced the inpatient deductible from \$100 to \$50 for same-day surgery.

South Carolina, on the other hand, reduced deductibles effective July 1, 1984; the hospital deductible was reduced from \$25 to \$15 per day (maximum 10 days), and the major medical deductible was reduced from \$200 to \$100 (limited to 3 per family). In addition, South Carolina established a new dental plan which became effective February 15, 1985.

Second Surgical Opinion Programs—Second opinion programs are now common features of state health benefit plans. In 1984 at least 8 states amended their plans to provide 100 percent reimbursement for second opinions; Alaska, Arizona, Mississippi, Missouri, New Mexico, Oregon, Pennsylvania and West Virginia. Utah's second opinion program, which has been in effect since 1983, not only pays 100 percent for second opinions but also pays a \$25 incentive bonus to the employee. In some states—including Arizona, Virginia, and Washington—second opinions are mandatory for specified surgical procedures. States that are planning to implement second opinion programs this year include California,

Table 3

Monthly Contributions to State Employee Health Insurance Plans: 1984 And 1985 Retiree Only Coverage

State	Cost to retiree		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Alabama	32.00	50.90	0	0	32.00	50.90	0	0
Alaska	0	0	156.07	191.85	156.07	191.85	100.0%	100.0%
Arizona	57.94	67.68	0	0	57.94	67.68	0	0
Arkansas	34.00	37.50	0	0	34.00	37.50	0	0
California	0	0	66.00	67.51	66.00	67.51	100.0	100.0
	0	6.68	66.41	86.00	66.41	92.68	100.0	92.8
Colorado	0	0	53.12	48.12	53.12	48.12	100.0	100.0
Connecticut	44.59	45.55	13.38	37.36	57.97	82.91	23.1	45.1
Delaware	2.84	0	27.68	33.36	30.52	33.36	90.7	100.0
	18.94	21.70	27.68	33.36	46.62	55.06	59.4	60.6
Florida	55.08	80.38	0	0	55.08	80.38	0	0
Georgia	13.10	13.60	56.20	62.95	69.30	76.55	81.1	82.2
		26.65		62.95		89.60		70.3
Hawaii	0	0	46.56	51.08	46.56	51.08	100.0	100.0
Idaho	24.88	24.88	10.66	10.66	35.54	35.54	30.0	30.0
Illinois	0	0	75.56	77.56	75.56	77.56	100.0	100.0
Indiana	—	—	—	—	—	—	—	—
Iowa	60.98	66.92	0	0	60.98	66.92	0	0
Kansas	50.34	39.86	0	0	50.34	39.86	0	0
Kentucky	45.25	45.25	0	0	45.25	45.25	0	0
Louisiana	20.62	20.62	20.62	20.62	41.24	41.24	50.0	50.0
Maine	0	0	31.36	31.36	31.36	31.36	100.0	100.0
Maryland	8.28	9.02	47.00	51.16	55.28	60.18	85.0	85.0
	8.34	21.50	47.34	51.16	55.68	72.66	85.0	70.4
Massachusetts	4.03	5.08	36.30	45.69	40.33	50.77	90.0	90.0
Michigan	0	0	70.49	75.57	70.49	75.57	100.0	100.0
Minnesota	48.85	51.28	0	0	48.85	51.28	0	0
Mississippi	25.00	34.50	0	0	25.00	34.50	0	0
Missouri	35.50	35.50	3.00	3.00	38.50	38.50	7.8	7.8
Montana	41.00	49.00	0	0	41.00	49.00	0	0
Nebraska	—	—	—	—	—	—	—	—

Georgia, Kansas, Louisiana and Texas.

Second opinion programs can incorporate incentive features like 100 percent reimbursement or bonus payments, or the plan can pay less if the individual fails to get a second opinion. The West Virginia plan, for example, pays 100 percent for the second opinion and for the surgery, but only 50 percent if an employee fails to get a second opinion.

Outpatient Services—Many states have amended their plans to provide incentives for outpatient or ambulatory surgery and for diagnostic and preadmission tests performed on an outpatient basis. In 1984 Alaska, Arizona, Mississippi, Missouri, New Mexico and West Virginia all provided 100 percent reimbursement for outpatient services. States considering such incentives include Louisiana, North Da-

kota and Texas.

Precertification Programs—A few states have recently implemented precertification programs, and several additional states are evaluating the implications of various precertification and preadmission review programs.

In 1984 California added non-mandatory precertification provisions; later this year California expects to introduce mandatory utilization review programs encompassing both precertification and concurrent review. Pennsylvania's mandatory precertification plan became effective on January 1, 1985, and Wyoming's nonmandatory preadmission review program was also instituted at the beginning of this year.

It is difficult to quantify the precise cost effects of various types of precertification and preadmission review programs. Although these

programs may have only a minor effect on the number of hospital admissions, they do have the important advantages (especially when combined with concurrent review programs) of facilitating PSRO review and possibly shortening average hospital stays for specified procedures.

Weekend Admissions—The Oklahoma plan was changed, effective January 1, 1985, to provide 50 percent reimbursement for non-emergency hospital confinement on a Friday or Saturday, where no medical services are required until the following Monday. Texas reports that the new plan to be implemented September 1, 1985, will also include limitations on reimbursements for weekend admissions. During the next few years, provisions restricting benefits for weekend admissions may become more widespread among state employee

Table 3

Retiree Only Coverage (Cont'd)

State	Cost to employee		Cost to state		Total cost		Percent of total cost paid by state	
	1984	1985	1984	1985	1984	1985	1984	1985
Nevada	53.59	61.68	24.84	29.81	78.23	91.49	31.8%	32.6%
New Hampshire	0	0	37.21	61.03	37.21	61.03	100.0	100.0
New Jersey	55.38	58.93	0	0	55.38	58.93	0	0
New Mexico	42.04	46.50	0	0	42.04	46.50	0	0
New York*	0	0	44.84	74.44	44.84	74.44	100.0	100.0
	7.76	9.28	69.88	83.57	77.64	92.85	90.0	90.0
North Carolina	0	0	36.32	36.32	36.32	36.32	100.0	100.0
North Dakota	44.00	44.00	0	0	44.00	44.00	0	0
Ohio	0	0	51.10	49.90	51.10	49.90	100.0	100.0
Oklahoma	45.90	45.90	0	0	45.90	45.90	0	0
Oregon	31.06	34.98	0	0	31.06	34.98	0	0
—BUBB Plan	34.31	43.78	0	0	34.31	43.78	0	0
Pennsylvania	0	0	37.21	43.75	37.21	43.75	100.0	100.0
	0	0	47.91	56.45	47.91	56.45	100.0	100.0
Rhode Island	30.63	34.60	0	0	30.63	34.60	0	0
South Carolina	0	0	50.50	50.50	50.50	50.50	100.0	100.0
South Dakota	47.84	49.22	0	0	47.84	49.22	0	0
Tennessee	35.01	40.26	0	0	35.01	40.26	0	0
Texas	0	0	62.93	66.29	62.93	66.29	100.0	100.0
	6.81	0	72.00	85.02	78.81	85.02	91.4	100.0
Utah	43.00	49.50	0	0	43.00	49.50	0	0
Vermont	5.49	3.54	16.49	14.17	21.98	17.71	75.0	80.0
Virginia	36.90	30.96	0	0	36.90	30.96	0	0
Washington	59.35	64.52	0	0	59.35	64.52	0	0
West Virginia*	23.95	23.95	0	0	23.95	23.95	0	0
Wisconsin*	48.79	51.43	0	0	48.79	51.43	0	0
Wyoming	39.22	44.12	0	0	39.22	44.12	0	0
Virgin Islands	14.88	21.19	14.88	21.18	29.76	42.37	50.0	50.0

*Sick leave credits may be used by retirees to pay premiums.

Where two sets of figures are listed for a state, they represent the "low" and "high" basic plans.

health benefit plans.

Home Health Care and Hospice Benefits—Most state plans provide benefits for specialized home health services and services rendered by extended care facilities, but many of these reimburse employees for home care benefits at the same coinsurance percentage. In 1984 Arizona and New Mexico increased the reimbursement percentage for home care benefits to 100 percent. In addition, hospice care benefits were added by New Mexico and Washington in 1984, and treated as a covered expense by the Oklahoma plan effective January 1, 1985.

Alcohol and Substance Abuse Benefits—Louisiana, Maine, Michigan and Oklahoma are four states that recently modified their plan provisions regarding alcohol and substance abuse benefits. In 1984 Michigan developed a new policy to provide more cost effective cover-

age of expenses for substance abuse treatment. The Michigan plan now provides a basic benefit for substance abuse treatment (including 100 percent coverage for detoxification as part of an effective treatment program), and also covers outpatient substance abuse and mental health expenses at 90 percent, up to \$3,500 a year.

Wellness Benefits—Several states have considered adding benefits to promote good health, but very few currently provide incentives for healthier lifestyles or specific "risk reduction benefits." New York and Utah are two states that have instituted programs to promote good health. New York's program for about 15,000 management employees, which was first introduced on a pilot basis in September 1983, includes computerized health risk appraisals, a series of health education seminars, stop-smoking clinics

and a self-care education book. Under Utah's plan, a smoker who quits for at least six months is paid \$100 and awarded a certificate, and an overweight person who loses weight and maintains the reduction for six months is paid \$2 per pound.

Birthing Centers—In 1984 the Iowa and West Virginia plans began providing benefits for services rendered by birthing centers, and Kentucky added such benefits effective January 1, 1985.

Generic Drugs—The Alaska plan was amended in 1984 to provide 100 percent reimbursement for generic drugs. A few other states report that they are considering adding such a benefit later this year or early in 1986.

Cost-Effective plan designs

A few states have gone further and implemented new cost-effective plan designs that incorporate sev-

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eral cost management provisions. The term "cost-effective plan design" is used here to refer to a health benefits plan that is redesigned with the dual objectives of providing cost-effective care and making employees cost-conscious consumers of health care.

Four states—Alaska, Arizona, Mississippi and New Mexico—introduced new cost-effective plan designs as of July 1, 1984. The major features of the new plans, which were generally accompanied by expanded communication programs, are summarized below:

Alaska—Amended plan pays: (1) 100 percent for generic drugs after applying the deductible—brand-name prescription drugs continue to be paid at the applicable coinsurance percentage; (2) 100 percent of UCR charges for second surgical opinions and diagnostic tests performed on an outpatient basis, without applying either the deductible or coinsurance percentage; and (3) 100 percent of UCR charges for ambulatory surgery performed in a qualified outpatient facility.

Arizona—New plan provides: (1) 100 percent reimbursement for specified surgical procedures performed on an outpatient basis; (2) 100 percent reimbursement for preadmission testing performed on an outpatient basis; (3) 100 percent reimbursement for second opinion charges; (4) 100 percent reimbursement, subject to the deductible, for specialized home health services and extended care benefits; and (5) a separate \$50 deductible for hospital inpatient charges. Under the new Arizona plan, which was designed to "make employees choosy consumers of health care," employees are required to comply with the mandatory preadmission, concurrent and surgical review provisions, as well as the mandatory second opinion provisions that apply to specified surgical procedures.

Mississippi—New "cost awareness plan" provides: (1) 100 percent instead of 80 percent reimbursement for charges of an outpatient facility and doctors' surgical charges when the surgery is performed in an outpatient setting; (2) 100 percent reimbursement for second surgical opinions; (3) limitations on hospital benefits for week-end admissions; (4) 100 percent reimbursement for preadmission testing; (5) 100 percent reimburse-

ment for maternity stays of three days or less; and (6) using statewide experience to determine UCR charges for both medical and surgical services. Benefit changes being considered by Mississippi for 1985 include: (1) paying 100 percent for generic drugs; (2) increasing lifetime maximum benefit from \$250,000 to \$1,000,000; and (3) encouraging employees to audit their own hospital bills by paying employees 50 percent of the amount of errors detected up to a maximum of \$1,000.

New Mexico—New plan includes employee contribution percentages and deductibles that vary depending on the employee's annual rate of earnings. The coinsurance percentage stayed at 80 and maximum out-of-pocket costs remained at \$1,200. The new plan provides reimbursement for: (1) 100 percent of charges for preadmission tests; (2) 100 percent of charges for specified surgical procedures when performed on an outpatient basis; (3) 100 percent of charges for second and third surgical opinions (no deductible); and (4) 80 percent of other covered charges up to \$6,000 and 100 percent above \$6,000. Cost management provisions incorporated in the new plan include preadmission review and benefits for outpatient surgery, rehabilitation, extended care facilities, home health agencies and hospice care.

In conclusion, many states—including those that recently introduced new cost-effective plan designs—have made a broad commitment to health care cost management. While most state plans have added traditional types of cost management provisions, some have instituted innovative nonconventional techniques.

Cost management will undoubtedly remain an important consideration for state employee health benefit plans. Because a state is often the largest employer within its own borders, it is clear that the cost management steps taken by state plans can influence providers and help to make our health care system more cost effective. □

Dr. John P. Mackin is senior vice president and head of the governmental division of Martin E. Segal Company, New York.

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Real Estate Investing Today: Opportunities Abound in Unexpected Places

Legg Mason Courts Smaller Funds
1985 Real Estate Portfolio Manager Directory

Pension World

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Cover: The award-winning Grand Cypress Resort Hotel in Orlando is owned by DIHC Management Corporation, the U.S. real estate investment arm of Pensionfund PGGM of the Netherlands. Kerri Sue Milam's story on this fund and its real estate holdings begins on page 20.

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 BPA
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1985 Real Estate Portfolio Manager Directory



The following *Pension World* Real Estate Portfolio Manager Directory lists firms that invest in real estate on behalf of pension fund clients. Although the Directory is not exhaustive, it identifies those firms responding in full to our questionnaire sent out in June 1985. Only those firms indicating their business involves managing real estate portfolios for pension funds are included.

This year's questionnaire was mailed to 536 firms throughout the U.S. and Canada that provide some form of real estate services. The response rate was 18 percent, with 97 of those firms, including 75 from last year's directory, meeting the criteria.

The firms, complete with address and contact person, are listed in alphabetical order. Each entry includes the respondent's total assets under real estate portfolio management and assets managed for pension funds, as well as the number of pension fund clients. Some firms manage assets for pension clients exclusively; some also have taxable clients; some, particularly insurance companies, also hold real estate for their own accounts. Respondents were asked to break down their holdings by types of properties, participation offered (pooled funds, separate accounts, etc.) and geographic diversification of properties.

The survey also includes each respondent's minimum investment requirement, return on investment and fees. Except where otherwise noted, returns on investment are net of fees. For comparison purposes, we asked respondents to provide cumulative returns as well as returns for the last 12 months. Because of differences among managers in computing rates of return, a comparison of returns from firm to firm may not be valid.

Listings in this Directory are based on information provided by the firms listed. While we have attempted to prepare this Directory as carefully as possible, *Pension World* assumes no responsibility for the accuracy of information presented here.

ABACUS REALTY ADVISORS

80 William Street, Suite 230
Wellesley Office Park
Wellesley, MA 02181
Contact: Evan Weston, Senior Vice President,
(617) 235-2350

Total real estate portfolio assets: \$75 million
Total pension fund real estate assets: \$75 million
Pension fund real estate clients: 8
Asset breakdown: \$60 million, mortgages; \$15 million, land
Participation offered: Separate account
Geographic diversification: National
Minimum investment: \$5 million
Return on investment: Not reported
Fee: Not reported

ACP ADVISERS, INC.

400 Park Avenue
New York, NY 10022
Contact: Debra Flanz, Director, New Business Development, (212) 826-9700

Total real estate portfolio assets: \$350 million
Total pension fund real estate assets: None
Pension fund real estate clients: None
Asset breakdown: 100% income-producing property
Participation offered: Closed-end fund, separate account
Geographic diversification: National with emphasis on Northeast and Southeast
Minimum investment: \$1 million in commingled fund; \$5 million in separate account
Return on investment: 30.3%, annualized returns 1979 through 9/30/84
Fee: 1% per year of gross assets; incentive fee at property sale

ACQUEST CAPITAL MANAGEMENT, INC.

300 E. Long Lake Road, Suite 280
Bloomfield Hills, MI 48013
Contact: David G. Ong, President, (313) 645-5130

Total real estate portfolio assets: Approximately \$40 million
Total pension fund real estate assets: Approximately \$32 million
Pension fund real estate clients: 5
Asset breakdown: 85% income-producing property—45% office, 25% industrial, 15% hotel, 15% residential; 15% mortgages
Participation offered: Direct, joint-venture, commingled funds investments
Geographic diversification: National with Midwest emphasis
Minimum investment: \$1 million for direct investment
Return on investment: Not available
Fee: Negotiated

AETNA CAPITAL MANAGEMENT LTD.

145 King Street West
Toronto, Ontario, Canada M5H 3T7
Contact: James H. Colbert, Vice President, (416) 864-8272

Total real estate portfolio assets: Approximately \$75 million
Total pension fund real estate assets: Approximately \$75 million
Pension fund real estate clients: 8
Asset breakdown: 100% income-producing property—office
Participation offered: Co-ownership
Geographic diversification: Across Canada
Minimum investment: \$1 million (Canadian \$)
Return on investment: Available upon request
Fee: (1) 1.5% of cost; acquisition fee; (2) 5% of N.O.I.: annual asset management fee

AETNA LIFE & CASUALTY

151 Farmington Avenue, MB64
Hartford, CT 06156
Contact: Stephen F. LeLaurin, Manager, (203) 636-6275

Total real estate portfolio assets: \$17.032 billion (12/31/84)
Total pension fund real estate assets: \$15.376 billion (12/31/84)
Pension fund real estate clients: 345
Asset breakdown: 18% income-producing property—46% office, 26% industrial, 19% retail, 5% hotel, 4% residential; 72% mortgages (fixed rate mortgages primarily in general account)
Participation offered: Open-end and closed-end commingled accounts, individual and single depositor accounts, advisory arrangements
Geographic diversification: National
Minimum investment: No minimum for commingled open-end; \$500,000 for closed-end; negotiable for individual accounts
Return on investment: Cumulative (1/78 through 3/85)—12.2% open-end equity; (3/81 through 3/85)—17.2% open-end participating mortgage. Latest annual (12 months through 3/85)—10.9% each for open-end equity and open-end participating mortgage.
Fee: Varies by type of account

ALDRICH, EASTMAN & WALTCH, INC.

One Post Office Square
Boston, MA 02109
Contact: Peter C. Aldrich, Principal, or Lucy O'Laughlin, Associate, (617) 542-9300

Total real estate portfolio assets: \$1.446 billion; \$938 million invested and under management and \$609 million committed for investment
Total pension fund real estate assets: \$1.378 billion
Pension fund real estate clients: 28 (includes endowment)
Asset breakdown: 100% income-producing property—office, industrial, retail
Participation offered: Individual direct investment accounts, commingled fractional interests in real property and common trust shares in the State Street Bank.
Geographic diversification: National
Minimum investment: \$5 million for State Street Bank & Trust Co. commingled real estate funds; \$20 million/year for separate accounts.
Return on investment: Not reported
Fee: A single capitalized transaction fee dependent on investment structure and an annual portfolio management fee of 50 basis points.

AM CAL COMPANY

4730 Woodman Ave., Suite 220
Sherman Oaks, CA 91423-2485
Contact: S.Q. DellaGrotta, Executive Vice President, (818) 990-3250

Total real estate portfolio assets: \$390 million
Total pension fund real estate assets: \$390 million
Pension fund real estate clients: 7
Asset breakdown: 60% income-producing property—30% office, 10% industrial, 15% retail, 20% hotel, 25% residential; 40% mortgages
Participation offered: Equity/income convertible mortgages
Geographic diversification: National
Minimum investment: \$500,000
Return on investment: Cumulative (1984/5)—13.5% cash-on-cash. Latest annual (5/30/85)—10.7% cash-on-cash.
Fee: Percent of real estate assets under management on sliding scale

AMERICAN AGRICULTURAL INVESTMENT MANAGEMENT COMPANY, INC.

2603 W. 22nd Street, Suite #17
Oak Brook, IL 60521
Contact: H. Joseph Bourn, President, (312) 654-6616

Total real estate portfolio assets: \$18 million
Total pension fund real estate assets: \$10 million
Pension fund real estate clients: 2
Asset breakdown: 100% income-producing property—farmland
Participation offered: Direct account and closed-end group trust
Geographic diversification: Five prime agricultural regions nationally
Minimum investment: \$500,000
Return on investment: 5.59%, 1/1/82 to 12/31/84; latest annual 4.93%, 12/31/84
Fee: 1% of net assets annually for group trust

AMINOFF & CO.

9601 Wilshire Blvd., #220
Beverly Hills, CA 90210
Contact: Gary A. Aminoff, President, (213) 858-6700

Total real estate portfolio assets: \$150 million
Total pension fund real estate assets: \$4 million
Pension fund real estate clients: 1
Asset breakdown: 100% income-producing property—office
Participation offered: Limited partnership
Geographic diversification: National
Minimum investment: \$1 million
Return on investment: Cumulative (year ending 12/31/84)—14%
Fee: Negotiable

ANGELES INSTITUTIONAL ADVISORS, INC.

10301 W. Pico Blvd.
Los Angeles, CA 90064
Contact: Mark W. Gibello, President & CEO, (213) 277-4900

Total real estate portfolio assets: Approximately \$800 million
Total pension fund real estate assets: Approximately \$40 million
Pension fund real estate clients: Approximately 3,000
Asset breakdown: 100% income-producing property—office, retail, residential
Participation offered: Limited partnership, group trust, separate account
Geographic diversification: National
Minimum investment: Limited partnership—\$5,000 (IRA \$2,000); Group trust—\$500,000.
Return on investment: Varies by fund
Fee: Varies by fund

THE BALCOR COMPANY

Balcor Plaza
4849 Golf Rd.
Skokie, IL 60677
Contact: Brek Johnson, First Vice President-National Sales Director, (312) 677-2900

Total real estate portfolio assets: \$4.826 billion
Total pension fund real estate assets: \$1.6 billion (debt only)
Pension fund real estate clients: 170,000
Asset breakdown: 67% income-producing property—6% office, 1% industrial, 20% retail, 2% hotel, 69% residential, mobile home parks 2%; mortgages, 33%—25% office, 1% industrial, 13% retail, 4% hotel, 46% residential, 9% mobile home parks, 2% land.
Participation offered: Public programs featuring debt or debt and equity investments

Geographic diversification: Equity—36 states; debt—32 states
 Minimum investment: \$1000
 Return on investment: Available on request
 Fee: No management fee is charged

BANK OF AMERICA INVESTMENT REAL ESTATE

180 Montgomery St., Suite 2300
 San Francisco, CA 94104
 Contact: Jack S. Cooper, Vice President and Managing Director, (415) 622-1712

Total real estate portfolio assets: \$445 million
 Total pension fund real estate assets: \$162 million
 Pension fund real estate clients: 200
 Asset breakdown: 100% income-producing property—55.7% office, 2.1% industrial, 15.8% retail, 26.4% R & D
 Participation offered: Separate accounts, commingled funds in equity real estate
 Geographic diversification: Nationwide portfolio of institutional-grade properties with a focus on the South and West
 Minimum investment: \$50,000 for open-end fund, \$5 million for others.
 Return on investment: Cumulative for open-end fund (9/15/75 through 3/31/85)—10.05%
 Fee: Commingled funds—1% of assets; separate accounts—negotiated.

BANK OF BOSTON

100 Federal Street
 Boston, MA 02110
 Contact: Tom Lunny, Vice President, (617) 434-7325

Total real estate portfolio assets: \$230 million
 Total pension fund real estate assets: \$230 million
 Pension fund real estate clients: 200
 Asset breakdown: 100% income-producing commercial and industrial equity properties
 Participation offered: Units of pooled fund
 Geographic diversification: National
 Minimum investment: None
 Return on investment: Latest annual 12.2% as of 6/30/85
 Fee: 1% of assets

THE BANKERS LIFE

711 High Street
 Des Moines, IA 50307
 Contact: Dan J. Fitzgerald, Director, Pension Operations, (515) 247-6791

Total real estate portfolio assets: \$5.4 billion in general and separate accounts
 Total pension fund real estate assets: \$4.3 billion in general account; \$30 million RESA
 Pension fund real estate clients: Over 10,000 pension clients in general account (330 in Real Estate Separate Account)
 Asset breakdown: 100% income-producing property—25% office, 38% industrial, 37% retail
 Participation offered: Open-end pooled account
 Geographic diversification: National
 Minimum investment: None
 Return on investment: 12.9% net for 1984
 Fee: 0.96% investment management fee on Real Estate Separate Account

BLOCK & CO., INC.

605 W. 47th Street
 Kansas City, MO 64112
 Contact: David M. Block, (816) 531-1400

Total real estate portfolio assets: Over \$300 million
 Total pension fund real estate assets: \$29 million
 Pension fund real estate clients: 5
 Asset breakdown: 100% income-producing property—retail; \$20 million—mortgages
 Participation offered: Limited partnership
 Geographic diversification: Midwest
 Minimum investment: \$1 million cash
 Return on investment: 9-10% annually as of 6/85
 Fee: Available upon request

THE BOSTON COMPANY REAL ESTATE COUNSEL, INC.

One Boston Place
 Boston, MA 02106
 Contact: Robert A. Radloff, President, (617) 722-7190

Total real estate portfolio assets: \$1.137 billion
 Total pension fund real estate assets: \$977 million
 Pension fund real estate clients: 10
 Asset breakdown: 100% income-producing property—57.3% office, 5.9% industrial, 9.2% retail, 27.6% mixed use, other, R & D
 Participation offered: Manages separate account investments for pension funds—equity oriented debt
 Geographic diversification: National
 Minimum investment: \$10 million
 Return on investment: Not available
 Fee: Acquisition fee, annual management fee, and disposition fee

Continued on page 70

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CAMBRIDGE REALTY CAPITAL, LTD.

200 West Superior
Chicago, IL 60610
Contact: Jeffrey A. Davis, President, (312) 943-1911

Total real estate portfolio assets: None at this time

Total pension fund real estate assets: None
Pension fund real estate clients: None at this time, but many under consideration

Asset breakdown: Not provided

Participation offered: Not provided

Geographic diversification: Metropolitan Chicago and the Midwest

Minimum investment: Not provided

Return on investment: Not provided

Fee: 1 1/2% of 1% of assets

CAPITAL CONSULTANTS, INC.

2300 S.W. First Avenue
Portland, OR 97201
Contact: Karen Blomquist, Vice President, (503) 241-1200

Total real estate portfolio assets: \$134 million

Total pension fund real estate assets: \$134 million

Pension fund real estate clients: 23

Asset breakdown: \$34 million in equities; \$100 million in mortgage loans

Participation offered: Varies, depending on client's objectives

Geographic diversification: Pacific Northwest

Minimum investment: Pooled fund, \$50,000; mortgages, \$500,000; direct, \$1 million

Return on investment: Real estate equities, 8%-10%; mortgages, 13%

Fee: Mortgages, 0.25%-1% depending on portfolio size; real estate equities, 1%-1.25%

CHEMICAL BANK INVESTMENT BANKING

277 Park Ave., 10th Floor
New York, NY 10172
Contact: Eric Jurist, Vice President, (212) 310-5011

Total real estate portfolio assets: \$52 million

Total pension fund real estate assets: \$52 million

Pension fund real estate clients: 9

Asset breakdown: 100% income-producing property

Participation offered: Units in commingled fund

Geographic diversification: 29.3% Midwest; 70.7% South

Minimum investment: None

Return on investment: Cumulative (six months)—5.95%

Fee: 1.3% on net real estate assets; 0.2% on uncommitted cash reserves.

CIGNA ASSET ADVISERS, INC.

950 Cottage Grove Road
Hartford, CT 06152
Contact: Thomas R. John, Senior Vice President, Sales, (203) 726-3153

Total real estate portfolio assets: \$8.76 billion

Total pension fund real estate assets: \$759 million

Pension fund real estate clients: 371

Asset breakdown: 100% income-producing property—32% office, 32% industrial, 7% retail, 6% hotel, 23% residential; not more than 70% of total fund assets in joint venture

Participation offered: Open-end (SA-R); closed-end (CEREF); limited partnership for non-qualified funds (Fund S); individual accounts; tax-advantaged accounts

Geographic diversification: National—maximum of 50% in any geographic region

Minimum investment: \$100,000, open-end; \$1 mil-

lion, closed-end

Return on investment: As of 12/31/84—13.07% (SA-R); 10.25% (CEREF); 10.49% (Fund S)

Fee: Varies by fund

CITICORP INVESTMENT MANAGEMENT, INC.

153 East 53rd Street
New York, NY 10043
Contact: H. Piper Andrews, Vice President, (212) 559-9332

Total real estate portfolio assets: \$3.5 billion

Total pension fund real estate assets: \$2 billion (gross); \$1.3 billion (net)

Pension fund real estate clients: 60

Asset breakdown: 70% income-producing property; 30% mortgages

Participation offered: Units in open-end fund, separate account; units in closed-end fund

Geographic diversification: 42.4% Northeast; 16.1% Southeast; 16% Central; 25.5% West

Minimum investment: \$2 million

Return on investment: 16% per annum

Fee: 1% for equity investments

COLDWELL BANKER

437 Madison Ave., Suite 420
New York, NY 10022
Contact: James G. Nugent, Senior Vice President, (212) 207-6122

Total real estate portfolio assets: \$800 million

Total pension fund real estate assets: \$800 million

Pension fund real estate clients: 43

Asset breakdown: 100% income-producing property—34% office, 33% industrial, 33% retail

Participation offered: Limited partnership interest

Geographic diversification: National, concentrating in areas in excess of 1 million population

Minimum investment: \$1 million

Return on investment: Varies by fund

Fee: 1.15% investment management fee; 12.5% of proceeds in excess of a 10% cumulative return.

CONSOLIDATED CAPITAL

(A Johnstown American Company)
2000 Powell Street
Emeryville, CA 94608
Contact: Tim Marinac, Senior Vice President/National Marketing Director, (415) 652-7171

Total real estate portfolio assets: \$2.8+ billion

Total pension fund real estate assets: Approximately \$260 million (in two programs)

Pension fund real estate clients: 60,000+

Asset breakdown: 100% mortgages—25% office, 2% industrial, 2% retail, 71% residential

Participation offered: Public limited partnership

Geographic diversification: Properties mortgaged in 27 cities in 16 states throughout the nation

Minimum investment: \$5,000, except Keogh and IRA which only require \$1,000

Return on investment: Cumulative—7% plus unvalued share of appreciation on the mortgaged properties; latest annual—7% plus appreciation

Fee: General partner continuing interest equaling 1% of net profits and losses

COPLEY REAL ESTATE ADVISORS

535 Boylston Street
Boston, MA 02116
Contact: John C. Phillips, Jr., Principal, (617) 578-4900

Total real estate portfolio assets: \$4.5 billion

Total pension fund real estate assets: \$2.5 billion

Pension fund real estate clients: 90+

Asset breakdown: 100% income-producing property

Participation offered: Share of cash flow plus sale and refinancing proceeds

Geographic diversification: National

Minimum investment: \$100,000—Commingled funds for pension funds; \$2,000—Individual public offerings

Return on investment: 24.7% compounded over three-year period in open-end commingled fund

Fee: 1.25% on net real estate assets; 0.25% on short-term investments

CORPORATE PROPERTY INVESTORS

307 East 47th Street
New York, NY 10017
Contact: Warren Hamer, (212) 421-8200

Total real estate portfolio assets: \$3.073 billion

Total pension fund real estate assets: \$2.761 billion

Pension fund real estate clients: 28

Asset breakdown: 16% office, 1% industrial, 78% retail, 5% net leases, etc.

Participation offered: Equity shares

Geographic diversification: 42% East; 17% West; 33% South; 8% Midwest

Minimum investment: \$10 million

Return on investment: 10 years, 18.9% annualized time weighted; latest annual, 21.9%

Fee: None—self-managed

CROCKER REAL ESTATE INVESTMENT GROUP

44 Montgomery Street, Suite 2110
San Francisco, CA 94104
Contact: N. Anthony Dann, Vice President, (415) 477-8555

Total real estate portfolio assets: \$200 million

Total pension fund real estate assets: \$169 million

Pension fund real estate clients: 207

Asset breakdown: 100% income-producing property—50% office, 35% industrial, 15% retail

Participation offered: Units in open- and closed-end funds, separate account direct investment, limited partnership interests.

Geographic diversification: National with emphasis on West and Southwest.

Minimum investment: Varies by account

Return on investment: Varies by investment type and objective.

Fee: Varies. Available upon request.

DEBENHAM TEWSON & CHINNOCKS ASSOCIATES

450 Park Avenue, Suite 1902
New York, NY 10022
Contact: C. J. Wood, Partner, (212) 758-8218

Total real estate portfolio assets: \$250 million

Total pension fund real estate assets: \$250 million

Pension fund real estate clients: 50+ (offshore)

Asset breakdown: 100% income-producing property—70% office, 20% retail, 10% mini-warehouses

Participation offered: Not provided

Geographic diversification: National

Minimum investment: Not provided

Return on investment: Not provided

Fee: Not provided

EASTDIL REALTY, INC.

40 West 57th Street
New York, NY 10019
Contact: Donald Conover, Vice President, (212) 315-7288

Total real estate portfolio assets: \$1.051 billion
 Total pension fund real estate assets: \$1.051 billion
 Pension fund real estate clients: 7
 Asset breakdown: 91% income-producing property, 9% mortgages—73% office, 15% industrial, 10% retail, 1% residential
 Participation offered: Individual client separate accounts
 Geographic diversification: 58% West/Northwest; 15% Southeast, 13% Midwest; 13% Southwest
 Minimum investment: \$50 million
 Return on investment: Confidential
 Fee: Differs by the nature and size of the investment assignment

RICHARD ELLIS, INC.

350 Park Avenue
 New York, NY 10022
 Contact: Christopher Budden, President, (212) 355-4810

Total real estate portfolio assets: \$1.424 billion
 Total pension fund real estate assets: \$1.151 billion
 Pension fund real estate clients: 6
 Asset breakdown: 100% income-producing property—47% office, 8% industrial, 45% retail
 Participation offered: Direct investment in separately managed accounts
 Geographic diversification: National, focusing on 24 first- and second-tier markets
 Minimum investment: \$30 million
 Return on investment: Varies
 Fee: Varies

EQUITABLE REAL ESTATE INVESTMENT MANAGEMENT INC.

1285 Avenue of the Americas, 29th Floor
 New York, NY 10019
 Contact: Joyce R. Frater, Senior Vice President, (212) 554-4213

Total real estate portfolio assets: \$20.4 billion
 Total pension fund real estate assets: \$3.8 billion (excluding Equitable's General Account)
 Pension fund real estate clients: 273
 Asset breakdown: 92% income-producing property, 90 mortgages—38.3% office, 16.4% industrial, 37.2% retail, 7.7% hotel, 0.4% special purpose
 Participation offered: Open- and closed-end commingled funds as well as separately managed accounts
 Geographic diversification: 24% East; 32% South; 21% Midwest; 23% West
 Minimum investment: Commingled funds—\$1 million; separately managed account, \$10 million within 3 years
 Return on investment: (Gross of fee) Open-end fund Separate Account No. 8, as of 12/31/84: 12.5%, 11% years; 14.1%, 5 years; last 12 months, 14.1%
 Fee: Varies

EQUITEC INSTITUTIONAL REALTY ADVISERS, INC.

7677 Oakport Street
 Oakland, CA 94614
 Contact: Don Jackson, Vice President, (415) 430-9900

Total real estate portfolio assets: \$1.3 billion
 Total pension fund real estate assets: \$36 million
 Pension fund real estate clients: 9
 Asset breakdown: 100% income-producing property—office
 Participation offered: Limited partnership

Geographic diversification: East, Southwest, and Midwest
 Minimum investment: \$1 million
 Return on investment: 1975 to present—24.9%
 Fee: 1/2 of 1% investment evaluation, 1 1/2% per annum asset management fee, 5% subordinated incentive fee

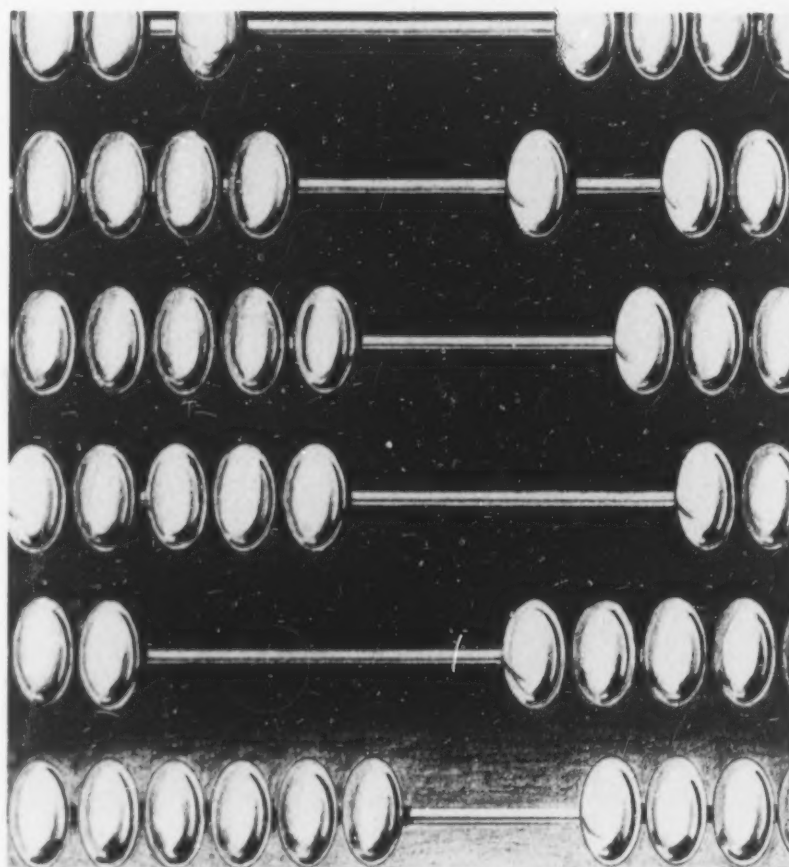
F.I.A. ASSOCIATES

2045 Hallmark Drive, Suite 4
 Sacramento, CA 95825
 Contact: Vernon Bennett, Executive Vice President, (916) 920-4051

Total real estate portfolio assets: \$1.318 billion
 Total pension fund real estate assets: \$1.318 billion
 Pension fund real estate clients: 7 (includes 4 pension funds who are participants in F.I.A.)

Profile Fund 1 and 3 separate accounts
 Asset breakdown: 100% income-producing property—61% office, 10% industrial, 14% retail, 3% hotel, 11% mixed use, 1% trade center
 Participation offered: Separate accounts, closed-end fund
 Geographic diversification: 18% East; 23% South; 7% Midwest; 52% West
 Minimum investment: \$50 million within a 3-year period for separate accounts; \$500,000 for closed-end fund
 Return on investment: 10.77% (7/82-12/31/84); 10.49% year ending 12/31/84
 Fee: Fees are negotiable depending upon services required by the client—approximately 1% for acquisition, 0.5% per annum for asset management and 1% for disposition; volume discounts are considered

Continued on page 72



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FIRST ASSET REALTY ADVISORS

First Bank Place
Minneapolis, MN 55480
Contact: Charles Ingwalson, President, (612) 370-4729

Total real estate portfolio assets: \$46.2 million
Total pension fund real estate assets: \$37.8 million
Pension fund real estate clients: 6
Asset breakdown: 100% income-producing property—28% office, 72% retail
Participation offered: Units in open-end collective real estate fund
Geographic diversification: Florida, Louisiana, Minnesota
Minimum investment: \$150,000
Return on investment: 1/1/83 through 3/31/85—41.3%; latest annual as of 12/31/84—15.4%
Fee: 1.25% of net fund assets

FIRST CHICAGO INVESTMENT ADVISORS

Three First National Plaza
Chicago, IL 60670
Contact: J. William Baker, Vice President, Real Estate Product Manager, (312) 732-7641

Total real estate portfolio assets: \$800 million
Total pension fund real estate assets: \$800 million
Pension fund real estate clients: 117
Asset breakdown: 100% income-producing property—40% office, 20% industrial, 20% retail, 20% residential
Participation offered: Commingled and direct ownership
Geographic diversification: 21% East; 23% Midwest; 25% South; 31% West
Minimum investment: \$50 million, direct; \$1 million, open-end commingled; \$5 million, closed-end commingled
Return on investment: Varies by account
Fee: 1.2% of asset value on commingled funds; negotiable on direct ownership accounts

FIRST NATIONAL BANK OF AMERICA

Trust Department
P.O. Box 4148
Atlanta, GA 30302
Contact: Richard H. Burgin, Vice President, (404) 588-5104

Total real estate portfolio assets: \$150 million
Total pension fund real estate assets: \$45 million
Pension fund real estate clients: 15
Asset breakdown: 55% income-producing property, 15% mortgages, 30% timber
Participation offered: Timberland is open-end commingled fund; other investments vary
Geographic diversification: Southeast
Minimum investment: \$250,000 in Timberland fund
Return on investment: 34% since inception; 8% average annual
Fee: Timberland fund—1.2% per year on market value of timberland; 0.25% per year on cash reserve; fees on other individual investments vary.

FIRST WISCONSIN TRUST CO.

P.O. Box 2054
Milwaukee, WI 53201
Contact: Earl D. Lillydahl, Vice President, (414) 765-4844

Total real estate portfolio assets: \$20 million
Total pension fund real estate assets: \$6 million
Pension fund real estate clients: 37
Asset breakdown: 100% income-producing property—49% office, 27% industrial, 24% retail
Participation offered: Units in fund

Geographic diversification: Currently Wisconsin
Minimum investment: \$6,500 (5 units)
Return on investment: 27.10% compounded over 33 months; 10.76% for calendar 1984
Fee: 0.25% liquid assets, 1.5% real estate assets

GOLDMAN SACHS & CO.

85 Broad Street
New York, NY 10004
Contact: John L. Griffith, Jr., Vice President, (212) 902-5628

Total real estate portfolio assets: \$775 million
Total pension fund real estate assets: \$410 million
Pension fund real estate clients: 11
Asset breakdown: 100% income-producing property—80% office, 5% industrial, 10% retail, 5% hotel
Participation offered: Separate accounts, open-end commingled fund, partnerships
Geographic diversification: National
Minimum investment: \$1 million (commingled fund)
Return on investment: 5/24/83 (inception) through 3/31/85—14.7%, latest annual as of 3/31/85—14.2%
Fee: 1.25% on first \$100 million, 1% on next \$100 million, 0.875% on next \$300 million, 0.75% on the balance

GREAT-WEST LIFE ASSURANCE COMPANY

100 Osborne Street North
Winnipeg, Manitoba, Canada R3C 3A5
Contact: Douglas McCord, Consultant, Real Estate, (204) 946-7681

Total real estate portfolio assets: \$650 million
Total pension fund real estate assets: \$300 million
Pension fund real estate clients: 153
Asset breakdown: 100% income-producing property—50% office, 30% industrial, 20% retail
Participation offered: Open- and closed-end funds
Geographic diversification: Canada
Minimum investment: \$100,000
Return on investment: Varies
Fee: Varies

GROUP ONE INVESTMENTS

77 West Washington Street, Suite 1005
Chicago, IL 60602
Contact: Robert H. Weitzman, Finance/Investment Partner, (312) 346-3434

Total real estate portfolio assets: \$100+ million
Total pension fund real estate assets: \$25+ million
Pension fund real estate clients: 75
Asset breakdown: 100% income-producing property—20% office, 30% retail, 50% residential
Participation offered: Limited partnership interest, joint ventures, fee ownership
Geographic diversification: National
Minimum investment: Flexible
Return on investment: Varies by type of investment
Fee: Negotiable

JOHN HANCOCK MUTUAL LIFE INSURANCE CO.

John Hancock Place, P.O. Box 111
Boston, MA 02117
Contact: Thomas J. Mizo, Real Estate Investment Officer, Investment Marketing, (617) 421-3639

Total real estate portfolio assets: \$10.018 billion
Total pension fund real estate assets: \$834 million

Pension fund real estate clients: 77
Asset breakdown: 89% income-producing property—35% office, 30% industrial, 10% retail, 3% hotel, 12% residential; 11% mortgages; 5% farmland; 2% timber, 3% joint venture
Participation offered: Pooled separate account, individual separate account, advisory, limited partnership
Geographic diversification: 27% East; 24% South; 23% Midwest; 26% West
Minimum investment: Varies by fund
Return on investment: Varies by fund
Fee: Varies by fund

HARRIS TRUST & SAVINGS BANK

P.O. Box 755
Chicago, IL 60690
Contact: John K. Rutledge, Vice President, (312) 461-6346

Total real estate portfolio assets: \$12 million
Total pension fund real estate assets: \$12 million
Pension fund real estate clients: 114
Asset breakdown: 100% income-producing property—18% office, 45% industrial, 37% retail
Participation offered: Open-end pooled fund, direct investment
Geographic diversification: National
Minimum investment: \$500,000
Return on investment: 27.45% (1/83-5/85); latest annual—12.06% (5/84-5/85)
Fee: 1-1 1/4%, depending on size of total relationship

HEITMAN ADVISORY CORPORATION

180 N. LaSalle Street
Chicago, IL 60601
Contact: David Glickman, Executive Vice President, (312) 855-5700

Total real estate portfolio assets: \$2.3 billion
Total pension fund real estate assets: \$2 billion
Pension fund real estate clients: 16
Asset breakdown: 100% income-producing property—39% office, 11% industrial, 18% retail, 32% mixed use
Participation offered: Direct separate accounts (discretionary and advisory) and closed-end pools
Geographic diversification: National
Minimum investment: \$2 million
Return on investment: Not provided
Fee: Based on cash invested

ICC REALTY ADVISERS, INC.

56 East Pine Street, Suite 200
Orlando, FL 32801
Contact: Byron W. Giltz, President, (305) 841-6241

Total real estate portfolio assets: \$75 million
Total pension fund real estate assets: \$75 million
Pension fund real estate clients: 26
Asset breakdown: 20% income-producing property, 80% mortgages—80% office, 20% hotel
Participation offered: Direct investment
Geographic diversification: Eastern U.S.
Minimum investment: \$1 million
Return on investment: Not provided
Fee: 1.50% first year; 0.50% subsequent years (annual fee as % of assets)

INSTITUTIONAL PROPERTY CONSULTANTS, INC.

Seven Piedmont Center, Suite 400
Atlanta, GA 30305
Contact: Paul H. Saylor, President, (404) 261-8049
Total real estate portfolio assets: \$61 million
Total pension fund real estate assets: \$61 million

Pension fund real estate clients: 8
 Asset breakdown: 80% income-producing property, 20% mortgages—30% office, 28% industrial, 36% retail, 6% residential
 Participation offered: Direct investments, joint ventures, partnerships
 Geographic diversification: National
 Minimum investment: \$1 million
 Return on investment: Four years through 3/31/85—15.4%; latest annual as of 3/31/85—14.8%
 Fee: Varies, depending on investment volume and structure
 Note: Primary business of company is consulting

INTERFIRST BANK DALLAS, N.A.

P.O. Box 83794
 Dallas, TX 75283-0794
 Contact: Robert H. Berger, Vice President, (214) 977-4659

Total real estate portfolio assets: \$650 million
 Total pension fund real estate assets: \$325 million
 Pension fund real estate clients: 200
 Asset breakdown: 86% income-producing property, 14% mortgages—37% office, 42% industrial, 20% retail, 1% land
 Participation offered: Open-end commingled, closed-end commingled, separate account
 Geographic diversification: Southwest, including Arizona and Nevada, plus Georgia
 Minimum investment: \$25,000
 Return on investment: For open-end fund: 7/31/79-12/31/84, 98%; latest annual as of 12/31/84, 12%
 Fee: 1% of market value, on time 0.75% acquisition fee (closed-end is 1% of cost, real market)

JMB INSTITUTIONAL REALTY CORPORATION

875 N. Michigan Ave., Suite 3960
 Chicago, IL 60611
 Contact: John S. Lillard, President, (312) 440-5000
 Total real estate portfolio assets: \$11.5 billion
 Total pension fund real estate assets: \$900 million, not including assets in tax-exempt Endowment and Foundation series of funds
 Pension fund real estate clients: 80, not including assets in tax-exempt Endowment and Foundation series of funds
 Asset breakdown: 100% income-producing property—43% office, 57% retail
 Participation offered: Closed-end commingled funds, separate accounts
 Geographic diversification: 24% East; 33% South; 18% West, 25% Midwest
 Minimum investment: \$1 million
 Return on investment: Cumulative: Group Trust I (8/29/80)—17.0%; Group Trust II (12/9/82)—16.6%; Group Trust III (4/12/84)—8.7%; Latest annual as of 3/31/85: Group Trust I—18.7%; Group Trust II—16.1%
 Fee: Group Trust III & IV: 1.25% of gross real estate asset value and 3.75% of gross revenues from property operations.

JONES LANG WOOTTON REALTY ADVISORS

499 Park Ave.
 New York, NY 10022
 Contact: John A. Weisz, Principal, (212) 688-8181
 Total real estate portfolio assets: \$886.8 million
 Total pension fund real estate assets: \$886.8 million
 Pension fund real estate clients: 10
 Asset breakdown: 100% income-producing property—83% office, 11% retail, 6% hotel
 Participation offered: Separate accounts only

Geographic diversification: 55% East; 22% West; 23% South
 Minimum investment: \$100 million over 2-3 years
 Return on investment: Not reported
 Fee: Varies with each account according to services provided

KARSTEN INSTITUTIONAL REALTY ADVISORS

12121 Wilshire Boulevard, Suite 900
 Los Angeles, CA 90025
 Contact: John Lundsten, Chairman, (213) 826-0035

Total real estate portfolio assets: \$462.8 million
 Total pension fund real estate assets: \$462.8 million
 Pension fund real estate clients: 16
 Asset breakdown: 100% income-producing property—31% office, 47% industrial, 22% retail
 Participation offered: closed-end fund, separate accounts
 Geographic diversification: 48.8% West; 15.4% Midwest; 35.8% Southwest
 Minimum investment: Commingled fund: \$1 million; separate account: \$20 million
 Return on investment: Cumulative: 15.0% (9.8% real rate) 1981-84; latest annual 16.9% (12.8% real rate) 1984
 Fee: Acquisition fees are typically 1% to 2.5% of the purchase price of a property. Asset management fees are typically 50 to 75 basis points of the value of the property, per year. Disposition fees are arranged on an ad hoc basis.

LANDAUER ADVISORS, INC.

335 Madison Avenue
 New York, NY 10017
 Contact: Kenneth Koplow, Vice President, (212) 687-2323

Total real estate portfolio assets: \$814 million
 Total pension fund real estate assets: \$814 million
 Pension fund real estate clients: 9
 Asset breakdown: 100% income-producing property—81% office, 19% retail
 Participation offered: Landauer Fund II or direct accounts

Geographic diversification: 8% New England; 53% Mid-Atlantic; 5% Midwest; 33% South; 1% West
 Minimum investment: Landauer Fund II—\$5 million; Direct accounts—\$50 million over 2 years
 Return on investment: Landauer Portfolio, 5 years ending 12/31/84—19.4%; 10 years ending 12/31/84—22.6%; Latest annual as of 12/31/84: Fund I—19.0%, Landauer Portfolio—20.5%
 Fee: Landauer Fund II—1.25% per year; direct accounts—negotiable

LANDSING CAPITAL CORPORATION

800 El Camino Real
 Menlo Park, CA 94025
 Contact: Tina Thomas, Marketing Coordinator; National, (800) 227-8228; inside California, (800) 982-5770

Total real estate portfolio assets: Approximately \$500 million
 Total pension fund real estate assets: Not provided
 Pension fund real estate clients: 8,674 (includes pension/profit sharing plans, endowment funds, IRAs & Keoghs)
 Asset breakdown: 100% income-producing property—30% office, 11% industrial, 26% retail, 21% residential, 12% land
 Participation offered: Real estate investment trust
 Geographic diversification: Western United States
 Minimum investment: \$5,000
 Return on investment: 10-13% over inflation
 Fee: Available on request

LANDVEST INC.

14 Kilby Street
 Boston, MA 02109
 Contact: John Coburn, Jr., Vice President, (617) 723-1800

Total real estate portfolio assets: \$50 million
 Total pension fund real estate assets: \$15.02 million
 Pension fund real estate clients: 3
 Asset breakdown: 100% income-producing property—timber
 Participation offered: Direct purchase or syndication

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Geographic diversification: Maine, New York, Vermont, Kentucky, Tennessee
 Minimum investment: \$400,000
 Return on investment: 5.5%-9% compounded above inflation per year over 10-15 years
 Fee: For services as rendered, at usual Landvest rates

LASALLE ADVISORS INC.

11 South LaSalle Street
 Chicago, IL 60603
 Contact: Stanislaw Maliszewski, Vice President, (312) 782-5800

Total real estate portfolio assets: \$2.5 billion
 Total pension fund real estate assets: \$1.43 billion
 Pension fund real estate clients: 42
 Asset breakdown: 100% income-producing property—72% office, 6% industrial, 22% retail
 Participation offered: LaSalle Street Fund
 Geographic diversification: National
 Minimum investment: Generally \$15 million
 Return on investment: 1981/84—15.4%; latest annual as of 12/31/84—13.1%
 Fee: Not provided

LEHNDORFF & BABSON REAL ESTATE COUNSEL

One Boston Place
 Boston, MA 02108
 Contact: Robert M. Angland, Executive Vice President, (617) 723-3074

Total real estate portfolio assets: \$1.421 billion
 Total pension fund real estate assets: \$390.88 million
 Pension fund real estate clients: 20
 Asset breakdown: 100% income-producing property—53.4% office, 1.9% industrial, 42.2% retail
 Participation offered: Direct investment or commingled funds
 Geographic diversification: 27% East; 11% Midwest; 32% South; 30% West
 Minimum investment: \$1 million
 Return on investment: Cumulative—24.7%, 10 years, latest annual—17.6% as of 12/31/84
 Fee: Commingled fund—1.25% per annum; direct investment management fees negotiable

LOEB PARTNERS REALTY

521 Fifth Avenue
 New York, NY 10175
 Contact: Gary L. Naughton, Vice President, (212) 883-0371

Total real estate portfolio assets: \$650 million under direct or supervisory management
 Total pension fund real estate assets: \$50 million under supervisory management
 Pension fund real estate clients: 2
 Asset breakdown: 100% income-producing property—office, retail
 Participation offered: Individual investment accounts
 Geographic diversification: National
 Minimum investment: \$2 million
 Return on investment: Varies
 Fee: A percentage of real estate assets based on asset size and type of investment

MAIER & SIEBEL, INC.

80 E. Sir Francis Drake Blvd.
 Larkspur, CA 94939
 Contact: Peter K. Maier, President, (415) 461-3890

Total real estate portfolio assets: \$125 million
 Total pension fund real estate assets: Not available
 Pension fund real estate clients: Not available
 Asset breakdown: 100% income-producing property
 Participation offered: Direct ownership
 Geographic diversification: Western United States
 Minimum investment: \$1.3 million
 Return on investment: 12.4%
 Fee: 2% acquisition fee; 0.5% management fee; 1% sales fee

MASSACHUSETTS MUTUAL LIFE INSURANCE CO.

1295 State Street
 Springfield, MA 01111
 Contact: Leo J. Polverini, Jr., CLU, Second Vice President

Total real estate portfolio assets: \$3 billion
 Total pension fund real estate assets: \$48 million
 Pension fund real estate clients: 50
 Asset breakdown: 100% income-producing property—46% office, 32% industrial, 22% retail
 Participation offered: Open-end commingled real estate equity fund
 Geographic diversification: 19% East; 37% South; 11% Midwest; 33% West
 Minimum investment: \$50,000
 Return on investment: 10.65% for 1984 calendar year
 Fee: 1% per year on net assets of fund, deducted quarterly

JOHN MCMAHAN ASSOCIATES, INC.

201 California Street
 San Francisco, CA 94111
 Contact: J. Raymond Walker, Vice President, (415) 433-7770

Total real estate portfolio assets: \$438 million
 Total pension fund real estate assets: \$388 million
 Pension fund real estate clients: 9
 Asset breakdown: 100% income-producing property—71.2% office, 16.6% industrial, 12.2% retail
 Participation offered: Pooled and separate accounts
 Geographic diversification: West and Southwest
 Minimum investment: \$2 million
 Return on investment: 14.2%, 5 years; 12.2% 1984
 Fee: Pooled: 1.2%; separate: 2%; acquisition: 0.5% annual portfolio management; 2% disposition

H. D. MCNEE REALTY ADVISERS INC.

1501 Sixth Avenue, Suite #300
 San Diego, CA 92101
 Contact: H. D. McNee, Jr., President, (619) 234-1949

Total real estate portfolio assets: \$55,633 million
 Total pension fund real estate assets: \$55,633 million
 Pension fund real estate clients: 3
 Assets breakdown: 15.44% income-producing property—26.60% office, 23.92% retail, 49.48% hotel; 84.56% mortgages—74.40% commercial, 25.60% residential
 Participation offered: Individual direct investment accounts
 Geographic diversification: Southwest
 Minimum investment: Flexible
 Return on investment: Varies
 Fee: Varies

MELLON REAL ESTATE INVESTMENT MANAGEMENT CORPORATION

551 Madison Avenue, 15th Floor
 New York, NY 10022
 Contact: Karin E. Shewer, Vice President, (212) 702-4040

Total real estate portfolio assets: \$700 million
 Total pension fund real estate assets: \$700 million
 Pension fund real estate clients: 7
 Asset breakdown: 41.5% income-producing property—68.8% office, 11.3% industrial, 1.8% retail, 2.9% hotel, 10.9% residential, 4.3% land. First mortgages, participating mortgages, convertible mortgages—37.2% non-participating debt, 21.3% equity-oriented debt
 Participation offered: Direct investment and closed-end fund
 Geographic diversification: 1.9% Mid-Atlantic; 3.1% Midwest; 17.7% Southwest; 10.2% Southeast; 36.2% West Coast; 18.5% Central; 12.4% Northeast
 Minimum investment: \$10 million equity; \$5 million debt
 Return on investment: 11.84% (1982-1984); latest annual as of 12/31/84—11.78%
 Fee: Acquisition fees: 1.5% of asset cost; portfolio management fee: 0.5% of asset value based on capitalization of cash flow at 10%; disposition fee: 1% of sales price

MONY FINANCIAL SERVICES

4 Manhattanville Road
 Purchase, NY 10577
 Contact: Wayne R. Dominguez, Sales Director, Equity Real Estate, (914) 697-8731

Total real estate portfolio assets: \$69.4 million
 Total pension fund real estate assets: \$69.4 million
 Pension fund real estate clients: 51
 Asset breakdown: 100% income-producing property—49% office, 29% industrial, 22% retail
 Participation offered: Open-end commingled fund
 Geographic diversification: National
 Minimum investment: \$100,000
 Return on investment: Cumulative—18.05%, 5/81 to 12/84; latest annual—14.60% as of 12/31/84
 Fee: 1% annual asset management fee and 0.55% management fee scaled down based on asset size

J. P. MORGAN INVESTMENT MANAGEMENT INC.

9 West 57th Street
 New York, NY 10019
 Contact: Timothy J. Heise, Managing Director, (212) 826-7330

Total real estate portfolio assets: \$1.4 billion
 Total pension fund real estate assets: \$895 million
 Pension fund real estate clients: 157
 Asset breakdown: 68% income-producing property—59% office, 4% industrial, 35% retail, 2% hotel; 32%—cash reserves, stock in real estate companies, sale/leaseback investments
 Participation offered: Open-end fund and separate account
 Geographic diversification: Nationally in metropolitan areas
 Minimum investment: \$5 million for fund participation; \$50 million over 2-year period in separate accounts
 Return on investment: 5-year time weighted, 16.6% as of 6/30/85; latest annual, 15.7% as of 6/30/85

Fee: 1% on first \$75 million of market value; 0.8% on next \$75 million; 0.6% on next \$100 million; 0.5% on excess.

MORGUARD INVESTMENTS LIMITED

1027 Yonge Street
Toronto, Ontario, Canada M4W3E8
Contact: Gary Bourgeois, Manager-Investments,
(416) 967-0880

Total real estate portfolio assets: \$1.3 billion
Total pension fund real estate assets: \$4 billion
including mortgages

Pension fund real estate clients: 150 +
Asset breakdown: 32% income-producing property; 65% mortgages; 3% property held for development

Participation offered: Direct participation in property assets through participating debentures
Geographic diversification: Major Canadian cities
Minimum investment: Varies

Return on investment: 15.9%—9/72 to 3/85
Fee: Depends on extent of services performed; available on request

MREALTY CORP.

P.O. Box 225415
Dallas, TX 75266
Contact: Jeffery L. Williams, Investments, (214) 698-6846

Total real estate portfolio assets: \$30 million
Total pension fund real estate assets: \$19 million
Pension fund real estate clients: 10

Asset breakdown: 64% income-producing property; 36% mortgages

Participation offered: Purchase of units, open at end of each quarter

Geographic diversification: Southwest
Minimum investment: \$100,000

Return on investment: 12.4% as of 6/30/85
Fee: 1% per year charged to the fund

MUTUAL BENEFIT LIFE

570 Broad Street
Newark, NJ 07101
Contact: Michael K. Farrell, Second Vice President, Group Pension Marketing, (201) 481-8462

Total real estate portfolio assets: Not available
Total pension fund real estate assets: \$21.844 million

Pension fund real estate clients: 8
Asset breakdown: 100% income-producing property—50% office, 50% industrial

Participation offered: Units in an open-end pooled separate account (VCA-5). Unit value as of 3/31/85—\$1616

Geographic diversification: Primarily Sunbelt properties

Minimum investment: \$100,000

Return on investment: Cumulative—55.8%, 1/3/82 to 12/31/84; latest annual—13.9% 1/1/84 to 12/31/84

Fee: Current management fee is at the annual rate of 0.25% of short-term assets plus 1% of long-term assets

NATIONAL LIFE INSURANCE COMPANY

National Life Drive
Montpelier, VT 05604
Contact: Cathy M. Swain, Portfolio Manager-National Pension Properties, (802) 229-3422

Total real estate portfolio assets: \$128.11 million
Total pension fund real estate assets: NPP-I—\$18.024 million; NPP-II—\$30 million committed as of 6/15/85

Pension fund real estate clients: 2 in NPP-I; 3 commitments for NPP-II as of 6/15/85

Asset breakdown: 98.3% income-producing property—43.8% office, 32.3% industrial, 19.1% retail, 3.1% land; 1.7% mortgages—participating ground lease with leasehold mortgage on improvements

Participation offered: Closed-end fund open to pension and profit sharing plans

Geographic diversification: Sunbelt
Minimum investment: \$2 million

Return on investment: 52.1%—6/30/82-3/31/85 (16.38%/year compounded); latest annual, 12.86% (12/31/84)

Fee: NPP-I: 1.2%/year on gross real estate assets; 0.25%/year on short-term investments in fund

NCNB NATIONAL BANK

One NCNB Plaza TO9-1
Charlotte, NC 28255

Contact: Mark S. Coltrin, Vice President, (704) 374-8405

Total real estate portfolio assets: \$400 million
Total pension fund real estate assets: \$400 million

Pension fund real estate clients: 550
Asset breakdown: 100% income-producing property—80% office, 20% industrial

Participation offered: Commingled funds or separate accounts

Geographic diversification: Southern
Minimum investment: Open-end fund, no minimum; corporate accounts, \$50 million

Return on investment: 16.2% (five-year average ending 12/31/84); latest annual, 17.8% (12/31/84)

Fee: 1.2% of market value

Continued on page 76

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CEBS Department
International Foundation, 18700 W. Bluemound Rd., P.O. Box 69
Brookfield, Wisconsin 53008-0069, (414) 786-6700

NEW ENGLAND LIFE

8 New England Executive Park
Burlington, MA 01803
Contact: Roy C. Dickover, Second Vice President,
(617) 578-5096

Total real estate portfolio assets: \$271 million
Total pension fund real estate assets: \$271 million

Pension fund real estate clients: 80

Asset breakdown: 100% income-producing property—46.9% office, 5.1% industrial, 5.0% retail, 10.5% hotel, 26.1% R&D, 6.4% land. All are joint ventures.

Participation offered: New England Life's Developmental Properties Account is a commingled, open-end equity real estate separate investment account

Geographic diversification: 54.4% Pacific; 28.9% Northeast; 9.3% Southeast; 7.4% Southwest
Minimum investment: \$25,000

Return on investment: Cumulative—85.0%, 12/31/81-12/31/84; Annual—29.2%, 1983-22.3%, 1984

Fee: The annual management fee is 1.25% of net real estate assets and 0.25% of other net assets

NEW YORK LIFE INSURANCE COMPANY

51 Madison Avenue, Room 904
New York, NY 10010
Contact: Thomas J. Connolly, Real Estate Vice President, (212) 576-7437

Total real estate portfolio assets: \$6.6 billion
Total pension fund real estate assets: \$33 million
Pension fund real estate clients: 14

Asset breakdown: 100% income-producing property—45% office, 34% industrial/residential, 21% retail

Participation offered: 100% ownership
Geographic diversification: National
Minimum investment: \$100,000

Return on investment: 8% annual as of 12/31/84
Fee: 1% annually on net asset value plus administrative fee

PACIFIC REALTY ADVISORS

44 Montgomery Street, Suite 4230
San Francisco, CA 94104
Contact: James O. Goldsmith, President, (415) 392-3665

Total real estate portfolio assets: Approximately \$100 million

Total pension fund real estate assets: \$28 million
Pension fund real estate clients: 2

Asset breakdown: Office, retail shared appreciation mortgages

Participation offered: Closed-end group trust, equity participation

Geographic diversification: West Coast
Minimum investment: \$2 million

Return on investment: Available upon request
Fee: 1.27% of net value of properties

THE PALMIERI COMPANY

2021 K Street, NW, Suite 700
Washington, DC 20006
Contact: John A. Koskinen, President, (202) 223-8690

Total real estate portfolio assets: \$1.2 billion
Total pension fund real estate assets: \$400 million

Pension fund real estate clients: 6

Asset breakdown: 40% income-producing property, 60% mortgages—20% office, 10% hotel, 50% residential, 20% land

Participation offered: Limited partnership
Geographic diversification: United States and Canada
Minimum investment: \$1 million
Return on investment: Not available
Fee: 1% of assets managed

PENREAL ADVISORS LTD.

500-1100 Melville Street
Vancouver, British Columbia, Canada V6E4A6
Contact: Garth Carefoot, Vice President, Finance

Total real estate portfolio assets: \$90 million
Total pension fund real estate assets: \$90 million
Pension fund real estate clients: 37

Asset breakdown: 100% income-producing property—59% office, 18% industrial, 23% mixed use

Participation offered: Units in Westpen Properties Ltd., a pooled real estate vehicle available only to Canadian pension funds.

Geographic diversification: 30% Ontario; 41% Alberta; 29% British Columbia
Minimum investment: \$500,000

Return on investment: Cumulative—10.2%, 10/1/83 to 3/31/85; latest annual—10.1% as of 3/31/85. Return on investment is reported exclusive of property appreciation (depreciation) and is cash return on investment to pension funds.

Fee: Portfolio management fee 0.5% per annum; acquisition fee 1% to 1.5% of cost.

THE PHILADELPHIA SAVING FUND SOCIETY

1234 Market Street
Philadelphia, PA 19107
Contact: Edward W. Schmid, Jr., Vice President, (215) 636-6603

Total real estate portfolio assets: \$440 million
Total pension fund real estate assets: \$440 million

Pension fund real estate clients: 1
Asset breakdown: 60% income-producing property—43% office, 42% industrial, 10% retail, 5% residential; 40% mortgages—single family in Pennsylvania

Participation offered: Participating and fixed-rate mortgages

Geographic diversification: National for income property loans; Pennsylvania for residential loans

Minimum investment: \$1 million-income property loans

Return on investment: Varies

Fee: Negotiable

PHOENIX MUTUAL LIFE INSURANCE COMPANY

One American Row
Hartford, CT 06115
Contact: H. Russell Irving, Second Vice President, (203) 275-5567

Total real estate portfolio assets: \$1.2 billion
Total pension fund real estate assets: \$98.7 million

Pension fund real estate clients: 70
Asset breakdown: 100% income-producing property—54% office, 27% industrial, 5% retail, 14% residential (apartments)

Participation offered: Pooled, open-ended equity real estate account

Geographic diversification: National
Minimum investment: \$50,000

Return on investment: Cumulative—15.7%, 6/30/81-3/31/85; latest annual—18.4%, 3/31/84-3/31/85

Fee: 1.25% of the first \$2 million, 1.0% of the excess of average annual assets

PMREALTY ADVISORS

700 Newport Center Drive
Newport Beach, CA 92660
Contact: Pete Hammer, Managing Director, (714) 640-3000

Total real estate portfolio assets: \$348 million
Total pension fund real estate assets: \$106 million (includes subscriptions)

Pension fund real estate clients: 8

Asset breakdown: 100% income-producing property—82% office, 15% industrial, 3% retail

Participation offered: Closed-end fund participants own a beneficial interest in group trust; individually managed portfolios make direct investments in equity real estate

Geographic diversification: Properties purchased are limited to the West, Southwest, and other selected growth areas throughout the country.

Minimum investment: Closed-end funds, \$1 million; individually managed portfolios, \$20 million

Return on investment: AmericaWest I became fully invested in May 1985. Last 12-month returns (12/31/84) were 9.8% gross, 8.8% net.

Annual real return objective: 8-8%

Fee: Available upon request

PROPERTY CAPITAL ADVISORS

200 Clarendon Street
Boston, MA 02116
Contact: Robert M. Armstrong, Senior Vice President and Treasurer, (617) 536-8600

Total real estate portfolio assets: \$278 million
Total pension fund real estate assets: \$150 + million

Pension fund real estate clients: 25 +

Asset breakdown: 100% income-producing property—45% office, 15% industrial, 18% retail, 12% hotel, 10% residential

Participation offered: Equity investments in major income-producing properties

Geographic diversification: National
Minimum investment: \$1 million

Return on investment: Cumulative for past 10 years—20.0% + total returns; for 1984—18.8% total return

Fee: An incentive fee based upon net cash flow from investments

PRUDENTIAL ASSET MANAGEMENT COMPANY

19 Prudential Plaza
Newark, NJ 07101
Contact: James H. Gately, Senior Vice President, (201) 877-3735

Total real estate portfolio assets: \$22.2 billion
Total pension fund real estate assets: \$6.2 billion
Pension fund real estate clients: 352

Asset breakdown: 89.9% income-producing property—56.74% office, 15.49% industrial, 13.35% retail, 8.67% hotel, 3.69% residential, 1.07% land, 0.99% agriculture; 4.3% mortgages; 5.6% cash

Participation offered: Units in open-end funds—PRISA, PRISA II, PRIMOR, MORISA; units in closed-end funds—PRACE I, PRACE II, PRACE III

Geographic diversification: National

Minimum investment: Minimum account charge \$25,000

Return on investment: Available upon request

Fee: Annual fee based on individual accounts

REPUBLICBANK DALLAS

P.O. Box 241
Dallas, TX 75221

Contact: David J. Pittman, Senior Vice President and Director, Trust Corporate Marketing; or Vida S. Icenogle, Vice President and Director, Investment Marketing (214) 922-3583

Total real estate portfolio assets: \$497 million
Total pension fund real estate assets: \$35 million
Pension fund real estate clients: 28
Asset breakdown: 84% income-producing property—64% office, 36% industrial, 16% mortgages—100% office
Participation offered: Open-end real estate equity fund
Geographic diversification: 78% South, 22% West
Minimum investment: None
Return on investment: 49.43% (8/1/81-3/31/85); 10.49% latest annual as of 12/31/84 (income only)
Fee: Management fee: 1% of market value; acquisition fee: 1% of purchase price

RHODE ISLAND HOSPITAL TRUST NATIONAL BANK

One Hospital Trust Plaza
Trust Real Estate Investments 47
Providence, RI 02903
Contact: Dan A. Woolley, Vice President, (401) 278-7606

Total real estate portfolio assets: \$8.92 million
Total pension fund real estate assets: \$7.76 million
Pension fund real estate clients: 19
Asset breakdown: 100% income-producing property—50% office, 50% industrial
Participation offered: Units in commingled investment fund
Geographic diversification: 100% East
Minimum investment: \$10,000
Return on investment: Latest annual: 16.70% as of 3/31/85
Fee: 0.01125% of net assets

ROSEN ASSOCIATES

333 Jericho Turnpike
Jericho, NY 11753
Contact: Robert A. Rosen, President, (516) 822-5350

Total real estate portfolio assets: \$350 million
Total pension fund real estate assets: Over \$100 million
Pension fund real estate clients: 21
Asset breakdown: 95% income-producing property, 5% mortgages—40% office, 5% industrial, 50% retail, 5% residential
Participation offered: Equity and mortgages
Geographic diversification: National
Minimum investment: \$250,000
Return on investment: Not available
Fee: Negotiable and confidential

THE REEF FUNDS

650 California Street
San Francisco, CA 94108
Contact: Paul Sack, Principal, (415) 781-3300

Total real estate portfolio assets: \$2.730 billion
Total pension fund real estate assets: \$2.730 billion
Pension fund real estate clients: 79
Asset breakdown: 100% income-producing property—33% office, 33% industrial, 33% retail; percentages vary between series. These percentages reflect an ideal portfolio.
Participation offered: Three series of closed-end commingled real estate funds for investment by qualified tax-exempt corporate and governmental pension plans

Results...

Phoenix Mutual's pooled Real Estate Separate Account (RESA) has put together a string of exceptional quarters. The quarter ending March 31, 1985 produced a total return of 5.14%. Latest twelve-month performance is 19.42%. Not bad.

Since its inception (6/30/81) RESA has compiled an effective annual time-weighted rate of return of 16.66% and has consistently ranked in the top quartile of all open- and closed-ended equity real estate funds listed in the "Real Estate Profiles Report" published quarterly by Evaluation Associates, Incorporated, Westport, CT. Not bad indeed.

Our current acquisitions for RESA are structured as landsale leaseback leasehold loans which provide a high contract yield plus participation in the cash flow from the property.

If you prefer performance to talk, send in the coupon below. You'll discover how our pooled real estate separate account can get results for you.

19.42%

Tell me more about the results of your pooled real estate separate account.

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone _____

Send to:

H. Russell Irving, Second Vice President,
One American Row, Hartford, CT 06115.
(203) 275-5000.

Phoenix Mutual
Life Insurance Company

PW A20

Past investment results are not intended as an indication of future performance.

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Geographic diversification: West series—major metropolitan areas in the West (including Texas); MidAmerica/East series—major metropolitan areas in the Midwest and the East; USA series—major metropolitan areas throughout the United States
 Minimum investment: \$1 million—West and MidAmerica series; \$15 million—USA series
 Return on investment: Available on request
 Fee: Percentage of net assets under management paid on a monthly basis

FRANK RUSSELL TRUST COMPANY

P.O. Box 1454
 Tacoma, WA 98401
 Contact: Paul R. Kalinick, President, (206) 572-2282

Total real estate portfolio assets: \$72 million
 Total pension fund real estate assets: \$72 million
 Pension fund real estate clients: 24
 Asset breakdown: 93.3% income-producing property—42.3% office, 21.5% industrial, 27.7% retail, 7.0% hotel, 0.2% apartments, 1.3% land; 0.4% mortgages; 6.3% cash
 Participation offered: Commingled, open-end real estate equity fund
 Geographic diversification: 24% East; 26% South; 17% Midwest; 33% West
 Minimum investment: \$250,000
 Return on investment: 12.5% (4/1/84-3/31/85); 12.5% as of 3/31/85
 Fee: 1.5% of assets under management

SCHRODER REAL ESTATE ASSOCIATES

437 Madison Avenue
 New York, NY 10022
 Contact: John E. Emmanuel, Senior Vice President, (212) 486-9800

Total real estate portfolio assets: \$900 million
 Total pension fund real estate assets: \$536 million (net)
 Pension fund real estate clients: 68
 Asset Breakdown: 84% income-producing property, 16% mortgages (convertible)—50% office, 50% retail
 Participation offered: Closed-end group trust series, a separately managed non-commingled format or a consortium approach
 Geographic diversification: 47% East; 13% Midwest; 21% South; 11% Southwest; 8% West (dollar-weighted basis)

Minimum investment: \$5 million—closed-end series; \$10 million—consortium; \$50 million—separate account
 Return on investment: 18.54% cumulative over 5 years, 15.36% latest annual (12/31/84)
 Fee: 1.25% of net assets of closed-end series; negotiable on consortium and separate accounts

SCUDDER REALTY ADVISORS, INC.

333 S. Hope Street, 37th Floor
 Los Angeles, CA 90071
 Contact: C. B. "Kip" Davis, Vice President, (213) 628-1144

Total real estate portfolio assets: \$500 million
 Total pension fund real estate assets: \$500 million
 Pension fund real estate clients: 12
 Asset Breakdown: 100% income-producing property—50% office, 20% industrial, 30% retail
 Participation offered: Direct investment
 Geographic diversification: Western United States
 Minimum investment: \$2 million
 Return on investment: 13.11% (cash-on-cash) as of 12/31/84
 Fee: Varies

SECURITY CAPITAL REAL ESTATE CORPORATION

1290 Avenue of the Americas
 New York, NY 10104
 Contact: Lewis W. Kresch, First Vice President, (212) 408-2911

Total real estate portfolio assets: \$862 million
 Total pension fund real estate assets: \$614 million
 Pension fund real estate clients: 147
 Asset Breakdown: 100% income-producing property—11% office, 3% industrial, 5% retail, 81% residential
 Participation offered: Units in commingled group trust
 Geographic diversification: National
 Minimum investment: \$250,000
 Return on investment: 18.7% for 5 years as of 9/30/84; 13.5% latest annual as of 9/30/84
 Fee: 1.07% of contributed capital annually; 25% of cash distributions after a cumulative annual 9% cash return to investors

THE STANDARD LIFE ASSURANCE COMPANY

45 Sheppard Avenue East, Suite 902
 Willowdale, Ontario, Canada M2N 5W9
 Contact: E.D. Quigg, Manager, Real Estate Department, (416) 221-5663

Total real estate portfolio assets: \$530 million
 Total pension fund real estate assets: \$45 million
 Pension fund real estate clients: 120
 Asset Breakdown: 100% income-producing property—49% office, 20% industrial, 31% retail
 Participation offered: Units in pooled real estate fund or undivided share in property
 Geographic diversification: Canada only
 Minimum investment: Not available
 Return on investment: Varies
 Fee: Depends on size of fund managed

STATE STREET BANK AND TRUST COMPANY

225 Franklin Street
 Boston, MA 02101
 Contact: Thomas P. Hogan, Vice President, (617) 654-3222

Total real estate portfolio assets: \$136.4 million + \$150 million committed to Fund III
 Total pension fund real estate assets: \$136.4 million + \$150 million committed to Fund III

Pension fund real estate clients: 16
 Asset Breakdown: 100% income-producing property—43% office, 49% industrial, 8% retail
 Participation offered: Units of closed-end commingled funds, pension assets only
 Geographic diversification: 19% East; 42% South; 11% Midwest; 28% West
 Minimum investment: \$5 million
 Return on investment: Gross returns: 42.35%—Fund I (9/82-3/85); 14.16%—Fund II (1/84-3/85); latest annual (as of 3/31/85): 20.72%—Fund I; 11.44%—Fund II
 Fee: 0.75%—real estate investment; 0.15%—short-term investments

TCW REALTY ADVISORS

400 South Hope Street, Suite 600
 Los Angeles, CA 90071-2899
 Contact: Bruce L. Ludwig, Senior Partner, (213) 683-4200

Total real estate portfolio assets: \$621.4 million
 Total pension fund real estate assets: \$368 million
 Pension fund real estate clients: 54
 Asset Breakdown: 100% income-producing property—66% office, 25% industrial, 9% retail
 Participation offered: Closed-end group trusts and separate accounts
 Geographic diversification: 67% West; 18% East; 11% South; 4% Midwest
 Minimum investment: \$1 million
 Return on investment: Fund I (1/83-3/85), 10%; Fund II (4/84-3/85), 9%; latest annual as of 12/31/84—Fund I, 12%; Fund II, 9.3% (4/84-12/84)
 Fee: 1.2% annually of assets valued at cost plus incentive fee based on actual performance

THIRD NATIONAL BANK

Financial Services Division
 201 Fourth Avenue
 Nashville, TN 37244
 Contact: R. Stephen Iler, Investment Manager, Pension Real Estate, (615) 748-5479

Total real estate portfolio assets: \$96 million
 Total pension fund real estate assets: \$21 million
 Pension fund real estate clients: 84
 Asset Breakdown: 88% income-producing property; 12% mortgages
 Participation offered: Units in fund and direct ownership
 Geographic diversification: Primary emphasis in Southeast U.S.
 Minimum investment: \$60,000
 Return on investment: Varies with account (fund targets 15% IRR)
 Fee: 1% of market value of real estate assets, 0.25% of cash in fund

TIMBERBANK MANAGEMENT CORPORATION

Suite 2190
 3340 Peachtree Road NE
 Atlanta, GA 30026
 Contact: Michael W. Caton, President, (404) 231-4024

Total real estate portfolio assets: \$16 million
 Total pension fund real estate assets: \$5 million committed
 Pension fund real estate clients: 1 commitment to date
 Asset Breakdown: 100% income-producing property—timber
 Participation offered: Pooled limited partnership or separate accounts
 Geographic diversification: Southern U.S.
 Minimum investment: \$1 million

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Return on investment: Not available
Fee: 1.5% annual expense allowance and incentive compensation based on real return

THE TRAVELERS

One Tower Square
Hartford, CT 06183
Contact: Peter J. Zummo, Assistant Secretary,
(203) 277-0271

Total real estate portfolio assets: \$12.5 billion
Total pension fund real estate assets: \$9 billion
Pension fund real estate clients: 175
Asset Breakdown: Separate account "R" only:
72.2% income-producing property, 22.8%
mortgages—49.1% office, 12.4% industrial,
9.7% retail, 2.4% hotel, 15.3% apartments,
9.8% agricultural

Participation offered: Equity, mortgages, bal-
anced (equity and mortgages), agricultural,
timberland

Geographic diversification: 8.6% East; 34.9%
South; 22.8% Midwest; 33.7% West

Minimum investment: \$100,000—Separate ac-
count "R"; \$1 million—Separate account "T"

Return on investment: Latest annual as of
6/30/85—Separate Account "R"—Equity—
6.62%; Separate Account "R"—Mortgage—
11.50%; Separate Account "R"—Balanced—
20.80%

Fee: Separate Account "R"—1.00% annual fee;
Separate Account "T"—1.25% annual fee

UNITED TRUST FUND

4770 Biscayne Blvd.
Miami, FL 33137
Contact: Fred Berliner, Director, Real Estate In-
vestments, (305) 576-7711

Total real estate portfolio assets: \$135 million
Total pension fund real estate assets: \$42 million
Pension fund real estate clients: 12
Asset Breakdown: 100% mortgages—commercial
net leased

Participation offered: Direct investment

Geographic diversification: National

Minimum investment: \$5 million

Return on investment: 10.88% to 13.125%

Fee: Straight debt—non-participating

UNITED VIRGINIA BANK

Trust Real Estate Department
P.O. Box 26665
Richmond, Virginia 23261
Contact: Ronald E. Martin, Assistant Vice Presi-
dent, (804) 762-7259

Total real estate portfolio assets: \$25 million
Total pension fund real estate assets: \$25 million
Pension fund real estate clients: 172

Asset Breakdown: Industrial, retail, land, indus-
trial corporate bonds, short-term investment
fund

Participation offered: Commingled closed-end
fund

Geographic diversification: Properties are located
in the Sunbelt states

Minimum investment: \$1,000

Return on investment: Varies

Fee: 1% asset management fee based on value of
fund

WACHOVIA BANK & TRUST COMPANY, N.A.

P.O. Box 3099
Winston-Salem, NC 27150
Contact: Nick Verano, Vice President, or
Cindy Corey, Marketing Consultant,
(919) 748-5906 or (919) 770-4169

Total real estate portfolio assets: \$605.6 million
Total pension fund real estate assets: \$570 mil-
lion

Pension fund real estate clients: 270

Asset breakdown: 100% income-producing prop-
erty—16% office, 77% industrial, 7% land

Participation offered: Open-end pooled equity
fund and individually managed accounts

Geographic diversification: National

Minimum investment: \$100,000

Return on investment: Latest annual as of
3/31/84—11.2%

Fee: 1.125% per year deducted quarterly on the
gross asset value of real estate properties;
0.25% per year deducted quarterly on cash re-
serves; \$450 per year annual trust administra-
tion fee

WAGNER SOUTHERN FOREST INVESTMENTS, INC.

11 Piedmont Center, Suite 404
Atlanta, GA 30305
Contact: David S. Graham, Principal, (404) 239-
0986

Total real estate portfolio assets: \$50 million (by
parent company Wagner Woodlands, Inc.)

Total pension fund real estate assets: None as yet
Pension fund real estate clients: None as yet

Asset Breakdown: 100% income-producing prop-
erty—timber

Participation offered: Separate account or pooled
fund

Geographic diversification: National, emphasis on
the South

Minimum investment: \$100,000 pooled; \$25 mil-
lion separate account

Return on investment: Not available
Fee: 1.2% of market value (annual fee)

WELLS FARGO REALTY ADVISORS

One Embarcadero Center, Suite 1914
San Francisco, CA 94111
Contact: J. Michael Johnson, Vice President, Di-
rector of Marketing, (415) 396-5232

Total real estate portfolio assets: \$2.1 billion
Total pension fund real estate assets: \$190 mil-
lion

Pension fund real estate clients: 150
Asset Breakdown: 80% income-producing prop-
erty, 20% mortgages—30% office, 40% in-
dustrial, 30% retail
Participation offered: An open-ended commin-
gled fund and individual client accounts
Geographic diversification: West and South
Minimum investment: \$1 million
Return on investment: 8-12.5% dependent upon
risk; latest annual 9.5% (12/31/84) after fees
Fee: 1.00% to 1.25% of net assets

WESTMINSTER COMPANY

Box 13197
Greensboro, NC 27405
Contact: Charles S. Wilkins, Jr., Vice President,
(919) 275-0971

Total real estate portfolio assets: \$200 million
Total pension fund real estate assets: \$5 million
Pension fund real estate clients: 1

Asset Breakdown: 100% income-producing prop-
erty—business park

Participation offered: Full ownership with consid-
eration for other options

Geographic diversification: North Carolina

Minimum investment: \$5 million

Return on investment: Pro-forma—10.5%

Fee: 4% of collections

E. P. WILBUR & CO., INC.

368 Center Street
Southport, CT 06490
Contact: C. Wheaton Vaughan, Executive Vice
President, (203) 255-3434

Total real estate portfolio assets: Over \$150 mil-
lion

Total pension fund real estate assets: Not pro-
vided

Pension fund real estate clients: Not provided
Asset Breakdown: Income-producing property—
office and residential

Participation offered: Group trust

Geographic diversification: National

Minimum investment: \$1 million

Return on investment: Varies

Fee: 1% of assets

TIMBERLAND

The Growing Alternative



WAGNER SOUTHERN FOREST INVESTMENTS, INC.

Registered Investment Advisers

11 Piedmont Center, Suite 404

3495 Piedmont Road / Atlanta, Georgia 30305

Contact: David S. Graham (404) 239-0986